EXHIBIT 8

1

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CAMDEN VICINAGE
CIVIL ACTION NO. 02-2917 (JEI)

PATRICK BRADY, et al.,
                    Plaintiffs,
          vs.
AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL,
                    Defendant.

          January 31, 2013

          Continued oral sworn videotaped
deposition of RIKK SALAMAT, Case Lab, Inc., 288
Clinton Street, Toronto, Ontario, was taken at the
law office of Archer & Greiner, 1650 Market Street,
Philadelphia, Pennsylvania, before Jean B. Delaney,
Certified Shorthand Reporter and Notary Public of
the State of New Jersey, on the above date,
commencing at 9:36 a.m., there being present:

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1   I N D E X
2   Witness   Page
3   RIKK SALAMAT
4   By Mr. Toal   4
5   E X H I B I T S
6
7   Marked for I.D.   Page
8   Salamat-16 Copy of a document entitled   24
9   Preliminary Calculation of
10   Mitigation of Damages
11   Revised, dated January 30,
12   2013
13 Salamat-17 TWA pilot seniority   56
14   integration summary of
15   Supplement CC from APA's
16   mergers and acquisitions
17   committee dated December
18   14, 2001
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1   VIDEO SPECIALIST: We are back on the
2   video record. The time is 9:36. Would the court
3   reporter, Jean Delaney, please swear in the witness?
4   RIKK SALAMAT, having been duly sworn,
5   was examined and testified as follows:
6   BY MR. TOAL:
7   Q   Good morning, Mr. Salamat.
8   A   Good morning.
9   Q   Mr. Salamat, one of the models you
10 present in your report is what you call an
11 arbitration model; correct?
12   A   That's correct.
13   Q   Take a look at page 14 of your report.
14   A   I have it.
15   Q   Okay. You see the second to last
16 paragraph on the page. You say, the second outcome,
17 referring to the arbitration, model is a best guess
18 as to what an arbitrator would have awarded given
19 the facts of the case; correct?
20   A   That's what I said.
21   Q   And was that accurate?
22   A   I think best guess is probably not the
23 best choice of words to be used there. I mean, it's
24 not really a guess. It is an estimation based on,
25 you know, the awards that have -- that were also

1 (Pages 1 to 4)

RIKK SALAMAT

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1 mentioned in -- in the report, and my experience in
2 the arbitrations that I was involved in. So best
3 guess is -- probably mischaracterizes my attempt to
4 estimate what the arbitrated list would be.
5   Q   How did you decide the arbitrations
6 that you would include in your analysis?
7   A   I included every arbitration I had
8 access to or every decision that I had access to
9 post-deregulation.
10   Q   Did -- did you review every arbitration
11 decision?
12   A   Every one that I knew of and that I had
13 an award for. There were -- I -- I believe I
14 mention in here there may have been arbitration
15 awards between less than major carriers that I was
16 unaware of. But from the library awards I have,
17 which I -- I believe to be comprehensive, I reviewed
18 all of them.
19   Q   So with respect to the list set forth
20 in figure eight of your report, in each of those
21 cases where you -- you indicate there is an
22 arbitrator, did you review each and every one of
23 those awards as part of your analysis?
24   A   I did review them.
25   Q   And did you read those --

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1 determine which transactions would be comparable to
2 the transaction between American Airlines and TWA?
3   A   Well, I -- I don't know that there is a
4 succinct answer to that. I mean, could you ask me
5 the question again?
6   I'm sorry, the building that I was in last
7 night was just swaying at 1:00 in the morning and
8 woke me up, so I haven't had the greatest night's
9 sleep, so I'm not as sharp today as I would like to
10 be.
11   Q   The question is, if you didn't review
12 the arbitration awards in their entirety, how did
13 you determine which of the transactions discussed in
14 the awards were comparable to the transaction
15 between American Airlines and TWA?
16   A   Well, I reviewed the awards to the
17 extent that I could understand what the -- what the
18 state of the carriers prior to the transaction was.
19 The things that I was looking for was what was the
20 financial state of both of the carriers that went
21 into the merger, what type of equipment the carriers
22 were operating, what the difference in the types of
23 equipment the carriers were operating were, the
24 length of service, if any mention was made of it --
25 of the two carriers. You know, anything that would

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1   A   I'm sorry, you are on page --
2   Q   It is on page 21.
3   A   Oh, 21. Yes.
4   Q   And did you read the arbitration
5 reports for each of those matters in their entirety?
6   MR. JACOBSON: Object to the form of
7 the question. Refers to arbitration reports.
8   THE WITNESS: I did -- to say I read
9 them in their entirety would probably overstate the
10 -- the case. I reviewed them looking for specifics
11 about the condition of the -- the un-merged
12 carriers, how the list was constructed, and anything
13 that in -- in the arbitrator's decision was stated
14 as -- as relevant to how they had put the list
15 together. But some of the awards are quite
16 extensive and go through, you know, the history of
17 the carriers, and I didn't review those in any great
18 detail.
19 BY MR. TOAL:
20   Q   So when I asked if you reviewed each of
21 those awards in their entirety, the answer is no;
22 correct?
23   A   The answer would be no.
24   Q   And if you didn't review those awards
25 in their entirety, how did you -- how did you

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1 characterize the -- the two contributing pilot
2 groups that went into the merger I reviewed.
3   Some of that stuff, you know, things such as
4 the operating history of the airlines, and, you
5 know, it is not infrequent that an award will say
6 Airline X was started in 1912 as a -- as a -- as a
7 bush pilot operation. Over the following years --
8 and so -- much of that stuff I did not spend any
9 time reviewing. I was concerned with the state of
10 the carriers at the point of the merger, and I
11 believe I reviewed all of the awards sufficiently to
12 understand that.
13   Q   And why did you -- why were you
14 concerned with the financial state of the carriers
15 at the time of the transaction?
16   A   Because that's what most -- that is
17 what's most relevant in how the awards are -- are
18 fashioned. So whether one started as a bush airline
19 has -- has yet to be mentioned as a significant
20 factor in any award.
21   Q   Did you have any objective criteria for
22 determining whether a transaction was the subject of
23 an arbitration decision was comparable to the
24 American Airline/TWA transaction?
25   A   Did I have a criteria for analyzing the

2 (Pages 5 to 8)

RIKK SALAMAT

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1   comparability of -- of other mergers to this one?
2   Q   The question is if you had an objective
3   criteria.
4   A   Yeah. The objective criteria was, were
5   the airlines operating at the time of the merger and
6   was one in financial distress, were the two key
7   criteria that I looked for.
8   Q   And what metric did you use to
9   determine if a carrier were in some financial
10   distress at the time of the transaction?
11   A   Whether the arbitrator mentioned that
12   one carrier was in financial distress of some sort.
13   Either -- most particularly, were they in
14   bankruptcy. I mean, other -- some awards mentioned
15   that, for instance, Canadian Airlines was heading
16   towards bankruptcy but was not in bankruptcy and the
17   arbitrator made mention of that in the award, so --
18   Q   Did you do any independent analysis to
19   try to determine the financial condition of the
20   carriers at the time of the transaction?
21   A   I did not.
22   Q   And did you do any independent analysis
23   to try to determine if either of the carriers was in
24   financial distress at the time of the transaction?
25   A   No. I relied entirely on the

10

1   arbitrator's report -- award.
2   Q   And do you have any expertise in
3   predicting the results of arbitration decisions?
4   A   Do I have any expertise? I would say I
5   am more experienced in -- in estimating that than --
6   than many. I don't know how you would actually
7   qualify someone as an expert in estimating the
8   outcome. I've been involved in several. I've
9   worked with several arbitrators to construct their
10   awards. So I would say I have significantly more
11   expertise than your average person. But, again, I
12   don't know what the objective criteria for -- for
13   qualifying someone as an expert in estimating
14   seniority awards would be.
15   Q   And you said yesterday that you had
16   been involved in I believe three arbitrations
17   involving pilot seniority integration disputes;
18   correct?
19   A   Directly involved in the -- in the
20   seniority arbitration, that's correct.
21   Q   Have you been indirectly involved in
22   others?
23   A   Yes.
24   Q   In which others?
25   A   Air Canada/the connectors. I was

11

1   involved in the class action suit arising from the
2   non-seniority integration of the connector pilots to
3   Air Canada. I was indirectly involved in -- well,
4   there was this case which, of course, I'm indirectly
5   involved in the seniority integration. I think
6   those with the -- I believe there is another but I
7   can't recall it off the top of my head. But, again,
8   it wouldn't have been -- well, I mean, there has
9   been other seniority integrations not involving
10   pilots, I guess is --
11   Q   Those are the ones you can think of as
12   you sit here right now that involved pilots?
13   A   Yes.
14   Q   Are you offering any sort of opinion in
15   your report about TWA's financial condition at the
16   time of the transaction with American Airlines?
17   A   I am not, other than stating what I
18   believe are -- are facts that came right out of the
19   closing of -- of Allen Press, and Mike Day, and
20   what's generally known that TWA was in bankruptcy at
21   the time of the transaction.
22   Q   Did you do any independent analysis to
23   try to determine what TWA's financial condition was
24   at the time of the American Airlines transaction?
25   A   I did not. I believe I said that a few

12

1   times, but --
2   Q   Another of the lists that you presented
3   in your analysis is what you called Supplement CC
4   plus 200; correct?
5   A   That's correct.
6   Q   And how did you select 200 as the
7   number to use in that list?
8   A   It was largely based on the last move
9   that the APA made having involved changing the
10   staple point by 300-and-some odd numbers. So I
11   assumed that if that would have been their movement
12   on their own without any of the additional pressure
13   from ALPA brought to bear, that somewhat less than
14   350 would be the minimal possible move that would
15   have occurred had ALPA brought all those other forms
16   of pressure to bear on the negotiation. So less
17   than the APA was -- had done on their own.
18   Q   Did you use any sort of methodology to
19   arrive at the 200?
20   A   No. That just seemed the most
21   probable.
22   Q   And it seemed probable to you because
23   previously the APA had decreased the number of TWA
24   pilots it was proposing to staple by 316?
25   A   Well, I thought the most probable would

3 (Pages 9 to 12)

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1 have been 351, I believe, which is how much the APA
2 did on their own, and so I picked the number roughly
3 two thirds of that in order to be as conservative as
4 possible.
5 Q   You said the -- you believed the most
6 probable would have been 351. What's the
7 significance of 351?
8 A   That was, I believe, the number of --
9 of pilots that the APA removed from the staple on
10 their own.
11 Q   Take a look at page 28 of your report.
12 A   I have it.
13 Q   Okay. Do you see the second paragraph
14 under the heading the marginal list?
15 And take a look at the last sentence of that
16 paragraph which says, this represents a change of
17 316 pilots removed from the stapled group.
18 A   Correct.
19 Q   Is that the number you were thinking of
20 by which the APA reduced the number of TWA pilots it
21 proposed to staple?
22 A   Yes. But if you will just bear with me
23 for one second. Yes. 316 was the number that I was
24 searching for. So I picked a number roughly two
25 thirds of that, so 200.

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1 Q   And did you have some methodology for
2 deciding that additional actions by ALPA would have
3 resulted in an additional movement that was two
4 thirds of what the prior movements had been?
5 A   No. As a -- as I said, I assumed that
6 in the absence of ALPA's breach, had they undertaken
7 any of the actions available to them, that they
8 would have been able to improve Supplement CC at
9 least as much as the APA was willing to do on their
10 own without any pressure. So that would have been
11 an additional 316 pilots removed from the staple.
12 In order to be conservative, I just took two thirds
13 of that. I assumed 316 was the most probable, but
14 in order to estimate damages and give some margin of
15 error, I took 2/3 of that.
16 Q   Is there some methodology that would
17 allow you to say that however much the APA had
18 lowered the staple amount previously was equal to
19 the amount it would -- the additional amount it
20 would lower the staple point if the -- if ALPA had
21 undertaken additional actions?
22 A   Well, the methodology would be mostly,
23 again, referring to each individual action that was
24 available to ALPA and saying, if they had brought
25 this form of pressure to the negotiation, would

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1 there have been -- well, I -- I mean, obviously, the
2 jury had already concluded that if they had done
3 these things, there wouldn't have been a breach and
4 there would have been a better list. That minimal
5 better list, given that they didn't specify exactly
6 what that was, it seemed more probable than not that
7 ALPA, doing everything in its power, would have
8 produced a result at least equal to what the APA was
9 willing to do on its own.
10 Q   Was this a subjective judgment that you
11 made?
12 A   This was a -- a subjective judgment.
13 Q   And there is no economic methodology
14 that you are aware of that allows you to determine
15 what additional movement on the staple point the APA
16 would have made based on movements it had made in
17 the past; correct?
18 MR. JACOBSON: I object to the form of
19 the questions. It refers to the wrong discipline in
20 science.
21 THE WITNESS: Sorry. The question
22 again?
23 BY MR. TOAL:
24 Q   The question is, there is no
25 methodology in economics that allows you to

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1 determine the amount of additional movement that APA
2 would have made based on the movements it had made
3 previously; correct?
4 A   No. There is -- there is no way you
5 can know absolutely, and I don't think there is any
6 science that will tell you absolutely what
7 additional movement the APA would absolutely have
8 made in response to any particular action.
9 Q   And are you aware of any necessary
10 relation that exists in negotiation between
11 movements made previously and movements that could
12 be expected in the future?
13 A   Am I aware of any -- sorry. Can I --
14 can I hear the question again?
15 Q   Yeah. Are you aware of any necessary
16 relation that exists in negotiation between
17 concessions that a party to the negotiations has
18 made previously and concessions that it can be
19 expected to make in the future?
20 A   Not necessary, no.
21 Q   Are you aware of any probabilistic
22 relationship between the number of concessions made
23 previously and the number of concessions that could
24 be expected in the future?
25 A   I am aware -- well, it -- it is

4 (Pages 13 to 16)

RIKK SALAMAT

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1 conceivable that someone has done work in that area.
2 I don't know of it personally.
3   Q   And you haven't done work in that area;
4 correct?
5   A   I have not done work in that area.
6   Q   And you could have just as easily
7 selected 300, or 100, or any other number that
8 seemed right to you; correct?
9   A   Well, seemed right to me is not as
10 simple as just saying I could have picked 400 and
11 been satisfied with that. You know, originally, as
12 I say, the minimal model was based on the moves that
13 the APA themselves had made, and that would have
14 been 316 at the bottom of the list -- 316. And by
15 taking two-thirds of that amount in response to all
16 of the available actions that ALPA had available to
17 it, I considered that to be a conservative estimate
18 of the minimum end of the range.
19   Q   Are you aware of any evidence in this
20 case that the APA was prepared to further reduce its
21 proposal for the number of TWA pilots who would be
22 stapled to the bottom of the list?
23   A   In the absence of any of the actions
24 that ALPA failed -- I'm sorry. In the --
25   Can I have the question again, please?

18

1   Q   Yeah. Are you aware of any evidence in
2 this case that the APA was prepared to further
3 reduce the number of TWA pilots that it proposed to
4 staple to the bottom of the list?
5   A   You know, in the absence of -- of -- of
6 ALPA's breach, I don't know what they would have
7 been prepared to do. With ALPA's breach, they
8 seemed unprepared to lower the staple point any
9 more.
10   Q   And are you aware of any evidence that
11 under any set of circumstances the APA was prepared
12 to make further reductions in the number of TWA
13 pilots it was prepared to staple to the list?
14   A   Well, again, we are assuming, you know,
15 that if the TWA pilots had had more leverage in the
16 negotiation, rationally, you would think they would
17 have ended up with a better list. Again, I have to
18 keep going back to what the jury said, which was
19 that, because of the breach, the list they got was
20 inferior to the one that they should have had. So
21 that basic fact is a starting point for my analysis
22 and not a conclusion of my analysis.
23   Q   Okay. You don't have any information
24 concerning what the APA was prepared to do with
25 respect to the staple point in response to any of

19

1 the ALPA actions that you outline in your report;
2 correct?
3   A   I'm -- I'm unaware of the APA ever
4 having said that if ALPA does X, we will lower the
5 staple by Y.
6   Q   Now, one of the other models you
7 prepared is something called the Salamat damage
8 model; correct?
9   A   That's correct.
10   Q   And the Salamat model is the model that
11 you considered the best achievable, negotiated list;
12 correct?
13   A   Is -- is that what I said? Sounds
14 right, but, yes.
15   Q   Would you agree with that?
16   A   The best conceivable -- sorry. Can --
17 can you repeat it again? Or can I actually just get
18 the exact page reference because I don't want to --
19   Q   Well, without regard to what you said
20 in your report, do you regard the Salamat model as
21 the best achievable negotiated result?
22   MR. JACOBSON: I object to the form of
23 the question. I think the word best is very unclear
24 in that context.
25   THE WITNESS: I don't know that it is

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1 the -- necessarily the best achievable negotiated
2 list. The parties could have negotiated anything up
3 conceivably to -- to the optimal model because at
4 that point in time nobody would have been worse off
5 than they would otherwise. If you take a minimum
6 end of the range of what they could have negotiated
7 and said -- as -- as -- as of that point, this is
8 the minimal list that may have been acceptable to
9 the TWA pilots and the APA. But to say it is the
10 best list? I -- I don't -- I don't think that would
11 characterize what the -- what the damage model list
12 is.
13 BY MR. TOAL:
14   Q   Okay. So take a look at page 15 of
15 your report.
16   A   Yes.
17   Q   And take a look at the second full
18 paragraph.
19   A   Uh-huh.
20   Q   You see it says, the list upon which
21 damages are based is the one I estimate would have
22 been the best achievable negotiated list in which I
23 refer to as the Salamat damage model.
24   A   Yes.
25   Q   And that's what you wrote in your

5 (Pages 17 to 20)

RIKK SALAMAT

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1   report; correct?
2   A   That is what I wrote in my report.
3   Q   And that's accurate?
4   A   In the -- in the context of this
5   paragraph, it's accurate. I mean, I still have to
6   leave open the possibility they could have
7   negotiated a better list than this. But within the
8   constraints of what could they have best negotiated
9   in the absence of ALPA's breach, I considered this
10 one to be the -- the -- the most likely best
11 negotiated list they could have achieved. So, yes,
12 I will stand by that statement.
13   Q   What is it about the context of this
14 paragraph that makes this statement accurate, that
15 this was the best achievable negotiated list, but
16 that you were unwilling to acknowledge in your
17 testimony before you looked at your report?
18   A   Well, because they could have
19 negotiated, for instance, to have the matter
20 arbitrated, and then the arbitrated list would
21 effectively be the result of their negotiation.
22 They could have negotiated under -- under
23 alternative circumstances a completely different
24 list which might be better in some ways and worse in
25 some others. But one is -- is best to the extent

22

1   that I believe it was achievable.
2   Q   And do you not believe the arbitrated
3   list was achievable through negotiation?
4   A   I think it is less probable that it had
5   been achievable than this.
6   Q   And what do you mean when you use the
7   term, best achievable here?
8   A   The best achievable negotiated list was
9   the one that would most likely have arisen from a
10 full -- the one that would have been most likely to
11 have arisen from negotiation in which ALPA had not
12 breached its duty.
13   Q   So is your testimony that when you use
14 the term best achievable, you meant that better
15 lists could have been achieved, but you considered
16 this one the most likely?
17   A   Yes. I think that's a fair statement.
18   Q   And this model estimates maximum
19 damages of 887.4 before you discount for the
20 possibility that no agreement would be reached;
21 correct?
22   A   That's correct.
23   Q   And also before you set off any amounts
24 that members of the class earned from other sources;
25 correct?

23

1   A   That's correct.
2   Q   And your counsel -- counsel provided
3   the other day an updated mitigation report that you
4   prepared; correct?
5   A   That's correct.
6   Q   Beyond the work that's reflected in
7   that updated mitigation report, is there any
8   additional work that you plan to do to determine how
9   much should be set off against this number that you
10 calculated for the Salamat damage model?
11   A   There will be some additional work.
12 First of all, people's responses continue to arrive
13 and so we will continue to input them. Now that
14 the -- the -- I -- I assume the majority of
15 responses that we are going to receive have been
16 received. We will most likely do at least some
17 sampling of the responses to check people's math to
18 see if documents are -- are complete, if we have
19 sufficient information to substantiate their
20 responses, whether they've responded at all, things
21 like this. And then, based on that, we will likely
22 revise the report of the 30th. Subsequent to that,
23 some decision would need to be made about how to
24 treat people who have not responded at all.
25   Q   And the work you've done so far is

24

1   based entirely on responses received from
2   questionnaires; correct?
3   A   That's correct.
4   Q   And how much have you determined should
5   be set off against this 887.4 million number?
6   A   I'm -- I'm sorry. I don't know off the
7   top of my head.
8   Q   Do you -- do you in your work -- can
9   you give me your best estimate as you sit here
10 today?
11   A   No. I -- I would prefer -- I would
12 have to refer to the report itself.
13   (Salamat-16   Copy of a document
14   entitled Preliminary Calculation of
15   Mitigation of Damages Revised, dated January
16   30, 2013 marked for identification.)
17   MR. TOAL: I mark as Salamat
18 Exhibit-16, a copy of the document entitled
19 preliminary calculation of mitigation of damages
20 revised, dated January 30, 2013.
21 BY MR. TOAL:
22   Q   Could you tell me if this is your
23 revised preliminary calculation of mitigation of
24 damages?
25   A   It is.

6   (Pages 21 to 24)

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RIKK SALAMAT

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1   **Q**   And why is this entitled, preliminary
2   calculation?
3   **A**   Because I say a more thorough
4   calculation would involve having to go through the
5   documentation that pilots provided and verifying
6   what they, themselves responded. Pilots for each
7   year from 2000 to 2012 gave an amount of total
8   income that they earned in those years. They were
9   then providing us with W2s, and 1040s, and Social
10 Security statements, and we've done no work to
11 verify what they said against that additional
12 documentation. Plus --
13   Sorry. There is -- there is a couple of other
14 issues.
15   Some of the income that they claimed for those
16 years may not actually offset damages. We have done
17 no work on -- on assessing whether, in fact, those
18 amounts offset their damages or not. There is
19 people who had secondary income prior to being
20 furloughed, and so that type of income needs to be
21 taken into account to reduce their -- their total
22 offset. So there is -- there is a number of things
23 that need to happen in order for this to be a
24 non-preliminary calculation. We would want to be
25 able to say much more accurately that the amounts

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1   for each individual pilot that are offset reflect
2   the documentation that we have. So that's -- that's
3   one issue.
4   The other issue is, I don't know what we do
5   yet with pilots who have not responded. One -- one
6   assumption would be that those people earned no
7   income at all in those years. The -- the other
8   assumption might be that they fully mitigated their
9   damages in those years. There is a range of options
10 in between. I haven't -- I haven't got to the point
11 where we decided which -- which we think is the
12 correct one. So --
13   **Q**   And is that a decision that you will
14 make?
15   **A**   I think that's a decision that I will
16 make in -- in concert with counsel.
17   **Q**   You calculated damages through the
18 year -- well, withdrawn.
19   What year do you calculate damages through?
20   **A**   2012 to 2025.
21   **Q**   And --
22   **A**   I'm sorry. 2002 to 2025.
23   **Q**   So for future damages, how do you
24 determine what an appropriate setoff is for amounts
25 earned through other employment?

27

1   **A**   There is no attempt to do that at this
2   point. Whether -- how we will most likely handle
3   that for future damages is to assume that whatever
4   the pilot earned as an average in the last two or
5   three years that we do have information for,
6   continues forward into the future.
7   **Q**   Have you done that calculation yet?
8   **A**   No, I've not.
9   **Q**   You mentioned an issue about whether
10 some of the income that's reflected on these
11 questionnaire responses is appropriately set off
12 against the damages you claim; correct?
13   **A**   That's correct.
14   **Q**   And how would you determine whether any
15 income reflected on those questionnaires should be
16 set off against the damages that you claim?
17   **A**   How I would determine would be in -- in
18 concert with counsel and accountants. There is --
19 there is issues around whether -- for instance, I
20 know unemployment insurance may not offset damages,
21 and that would be a legal issue that I would need to
22 be instructed on. Issues such as business losses
23 and income, whether those would offset damages, I
24 need to be instructed by -- by counsel and
25 accounting professionals.

28

1   **Q**   What about -- what about in a situation
2   such as the example you mentioned previously where
3   someone had secondary income prior to leaving the
4   employ of American Airlines? How would you
5   determine in such a case whether secondary income
6   going forward should be set off against the damages
7   that you claim?
8   **A**   How would I do it technically or how
9   would I determine whether it should be offset or
10 not? Because --
11   **Q**   Let's start with how you would
12 determine first whether such amount should be set
13 off.
14   **A**   How -- well, if a pilot, for example,
15 had a part-time job where they earned $10,000 a year
16 and had always had that position, that $10,000 a
17 year is income they would have had regardless of
18 whether or not they had been furloughed. So it may
19 not offset damages. But to make that determination,
20 I would have to -- I would have to collaborate with
21 counsel and accounting professionals to -- to see
22 whether that's, in fact, the case. That's merely
23 the issue that needs to be examined.
24   **Q**   And how would you determine, for
25 instance, whether the fact that the employee was not

7 (Pages 25 to 28)

RIKK SALAMAT

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1 working at American Airlines allowed them to devote
2 more time to the secondary employment and earn more
3 money at the secondary employment?
4   A   Well, if the secondary employment went
5 up, then presumably that incremental amount would
6 offset. But, again, this is -- this is something
7 that I would have to determine with counsel and
8 other professionals.
9   Q   Okay. So you indicate in your revised
10 preliminary calculation of mitigation that as of
11 January 25th, you had received 1,509 responses;
12 correct?
13   A   That's correct.
14   Q   And to how many pilots were
15 questionnaires sent?
16   A   I do not have that number. I believe
17 it's -- I believe it's over 2,000, but I don't -- I
18 don't know that I was ever told how many were sent
19 out.
20   Q   And there were approximately 2,300 TWA
21 pilots that were members of the class; correct?
22   A   That's correct. My understanding is
23 that an attempt was made to get one to all of them,
24 but I -- I don't know whether that is, in fact, the
25 case.

30

1   Q   And of those, you got documentation,
2 supporting documentation on approximately 1,080;
3 correct?
4   A   1,080 responses included something
5 other than the questionnaire. Supporting
6 documentation is a very broad category which could
7 mean anything from a Post-it note to hundred pages
8 of W2s. The people doing the processing of this
9 just simply flagged it as something other than the
10 questionnaire or it doesn't, so --
11   Q   And have you made any assessment at
12 this point for the 1,080 pilots who provided some
13 supporting documentation, whether that documentation
14 complies with the information that was requested in
15 the questionnaire?
16   A   That -- that process is ongoing as --
17 as we sit here today, I understand. They are -- the
18 litigation support people are going through each
19 pilot's response to make sure that for years in
20 which they were furloughed, we have Social Security,
21 W2, 1040, and their own written response as to what
22 their income was in those years. And -- and in the
23 event that any of those is missing, an attempt will
24 be made to contact the pilot and request it.
25   Q   And is it employees of Case Lab who are

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1 undertaking that inquiry?
2   A   They are a company we are
3 subcontracting.
4   Q   It's a company that Case Lab is
5 subcontracting?
6   A   That's correct.
7   Q   And what company is that?
8   A   It's a group of individuals who work
9 under a gentleman named Jason Emmett who is -- is
10 responsible for doing this.
11   E-M-M-E-T-T.
12   Q   Does Mr. Emmett have a -- a company?
13   A   It's just called Jason Emmett.
14   Q   Is that a company that bears his name,
15 or --
16   A   He is just an individual that we've
17 subcontracted to handle this for us.
18   Q   And what's his background?
19   A   He does odd electronic jobs. He does
20 technical support for us. He does scanning work.
21 He does data processing, data inputting. He works
22 with two or three other people who assist on larger
23 jobs.
24   Q   Does he have a specialized background
25 that you are aware of?

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1   A   He has training in computer science,
2 but I don't know to what degree given. That he is
3 only operating a scanner, I assume it's sufficient.
4   Q   Okay. So your revised preliminary
5 calculation indicates that the mitigation
6 calculation as of January 30, 2013, for the Salamat
7 damage model is 142.89 million; correct?
8   A   Yes. That's correct.
9   Q   Okay. So is that an amount you would
10 set off against the 887.4 million that you
11 calculated or the discounted amount that you
12 calculated for the Salamat damage model?
13   A   Sorry. The question again?
14   Which -- you mean would it be taken off the
15 discounted amount or the original amount?
16   Q   That's what I mean.
17   A   Okay. That would be taken off the
18 original amount.
19   Q   Why is that?
20   A   Well, there is -- there is total
21 damages, and, you know, the -- the lowered amount is
22 to account for areas of -- of -- to account for the
23 fact that we cannot know absolutely what the outcome
24 would have been. So I believe the correct way to do
25 it would be to reduce that offset from the total

8 (Pages 29 to 32)

RIKK SALAMAT

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1 amount and then adjust for the area where we -- we
2 can't say for certain what the outcome would have
3 been. However, it is a question that I have -- I've
4 gone back and forth on. Right now that's my
5 feeling, but it is a -- it is an issue that's
6 pending that we need to discuss with counsel.
7   Q   Take a look at page 48 of your report.
8   A   I have it.
9   Q   Do you see in the first full paragraph,
10 under summary of damages, under different lists, you
11 say in the last three lines starting at the far
12 right, I estimated that there is a 73 percent
13 probability that ALPA's violation has caused
14 $887,409,179 in damages to TWA -- to the TWA pilots
15 and is, therefore, liable for $647,808,701 in
16 unmitigated damages?
17   A   That's correct.
18   Q   And why did you describe here the
19 647 million-some-odd dollars as the unmitigated
20 damages?
21   A   Because these offsets have not -- had
22 not been calculated as of the time of writing this.
23   Q   At the time you wrote this, did you
24 intend to apply that mitigation to the $647 million
25 figure?

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1   A   No. I can't say I intended
2 specifically to apply it to the 647,000 -- I'm
3 sorry -- 647 million. Sitting here today, I think
4 the correct way to do it would be to apply it to the
5 887 million but, again, this is a conversation to be
6 had with counsel.
7   Q   And you will take direction from
8 counsel on that?
9   A   Well, I will hear what they have to say
10 about it and then make a decision.
11   Q   So do you have an understanding that
12 the court imposed a deadline for your mitigation
13 analysis of today, January 31st?
14   A   That's my understanding.
15   Q   And so, have you had conversations with
16 counsel or accountants prior to today in
17 anticipation of preparing your final mitigation
18 damage report about the damage figure from which
19 these mitigated damages should be subtracted?
20   A   I'm sorry. I don't understand the
21 question.
22   Q   You had a final mitigation damage
23 report that was due today; correct?
24   A   I believe a damage -- a mitigation
25 report was due today. I don't know that it had to

35

1 be a final one. It couldn't have likely have been a
2 final one given that the responses only began coming
3 in towards the end of last year. There is -- there
4 is no conceivable way in which a final report could
5 be done, so maybe there was some misunderstanding
6 about the scope of the task and what could be done
7 in the time frame. But my understanding was a
8 report was due, and we've produced two so far.
9   Now, the second part of your question was --
10   Q   But have you -- how can it be, given
11 that there is a report due today, that you haven't
12 come to rest on a methodology for the damage figure
13 from which mitigation should be subtracted?
14   A   Well, we did a report based on pilots'
15 responses. There is a much -- there would be -- I
16 believe that report and that methodology would be
17 insufficient to actually calculate the offset. So
18 that being a significantly larger undertaking, it's
19 just not feasibly undertaken in the time that we
20 have available to us.
21   Q   So your Salamat damage model is a
22 compromise between two of your other lists; correct?
23   A   I don't know that I would refer to it
24 as a compromise between two lists. There is a range
25 of possible lists that I identified and it's in that

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1 range.
2   Q   But isn't it a compromise between the
3 Supp CC plus 200 list and the arbitrated list?
4   A   I -- I think to say it is a compromise
5 would -- would mischaracterize it. I mean, it is in
6 the range of possible settlements. I mean --
7   Q   Well, take a look at page 15 of your
8 report.
9   You see the paragraph in the middle of the
10 page that starts with the word therefore?
11   A   Yes.
12   Q   Okay. So this says, therefore, the
13 Salamat damage model is a compromise between the
14 marginal list and the arbitrated list; correct?
15   A   Yes.
16   Q   That's what you wrote in your report?
17   A   That is what I wrote.
18   Q   Are you telling me now that's
19 inaccurate?
20   A   It's -- it's not inaccurate, no.
21   Q   It is not inaccurate?
22   A   No. I stand by the statement. The
23 model is a compromise between the marginal list and
24 the arbitrated list, to the extent that -- what I
25 meant by that is it falls in the range delineated by

9 (Pages 33 to 36)

RIKK SALAMAT

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1   the marginal list and the arbitrated list. To say
2   it is a compromise, you know, meaning that those two
3   lists were two lists being presented by two parties
4   and -- and the damage model would have been the
5   compromise two parties would have made by them, that
6   would overstate it. But as a compromise being in
7   the range, yes, that's correct.
8   Q   In your -- in your marriage list, you
9   have 1,026 TWA pilots stapled at the bottom;
10   correct?
11   A   I believe that sounds -- that sounds
12   correct. I don't have the number sitting in front
13   of me, but --
14   Q   And in your arbitrated list, you have
15   209 TWA pilots stapled to the bottom; correct?
16   A   That's correct. That sounds correct,
17   yes.
18   Q   And in your Salamat damage model, you
19   have 464 TWA pilots stapled at the bottom; correct?
20   A   That's correct.
21   Q   So in terms of a staple point, you are
22   much closer to the arbitrated model than the
23   Supplement CC plus 200; correct?
24   A   That's correct.
25   Q   And in terms of damages, you calculate

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1   unmitigated damages for the marginal list at
2   164 million; correct? And you can refer to your
3   report if it helps you refresh your recollection.
4   It might help you if you look at page 36, figure 14.
5   A   I have it, yes.
6   Q   Okay. So your marginal list, you have
7   unmitigated damages of 164 million; correct?
8   A   That's correct.
9   Q   And your arbitrated list, you have
10   unmitigated damages of 1.16 billion; correct?
11   A   That's correct.
12   Q   And for your unmitigated damages for
13   the Salamat damage model, you've calculated
14   887 million; correct?
15   A   That's correct.
16   Q   So -- the damage figures are also much
17   closer to the arbitrated list than to Supplement CC
18   plus 200; correct?
19   A   That's correct.
20   Q   And how did you determine how to effect
21   a compromise between the arbitrated list and
22   Supplement CC plus 200?
23   A   Well, the -- the objective was not to
24   find a compromise between the two as such. The
25   objective was to fashion a method of list

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1   construction that would have been most probably
2   acceptable to both sides, and that methodology was
3   to reduce the number of positions TWA brought to the
4   merger as proxied by the number of positions they
5   had left as of -- as of approximately 18 months
6   after the merger, and then including first officer
7   positions in the merged group. So the compromise
8   was a compromise to the extent that it's in the
9   middle -- it's -- it's between the two lists in
10   terms of the number of pilots stapled and the -- the
11   damages. But I wouldn't -- I wouldn't want to say
12   that the objective was to find a compromise. The
13   objective was to find a list that would most likely
14   have been acceptable to both parties had pressure
15   been brought to bear and had ALPA not been in breach
16   of its duty.
17   Q   And the Salamat damage model represents
18   your estimate of what the parties would have agreed
19   to had they been acting reasonably; correct?
20   A   Had they been acting reasonably, yes.
21   Q   And you use a particular definition of
22   what reasonable conduct would have consisted of;
23   right?
24   A   Yes. I think that's fair.
25   Q   And what -- in what way do you define

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1   reasonable conduct for purposes of your Salamat
2   damage model?
3   A   That the parties' positions would be
4   consistent with the -- the seniority mergers of
5   other pilot groups that arose from fair process, I
6   believe is -- is how I defined it. My overall
7   method was assuming that the pilots all wanted a
8   fair list, and anything that would be minimally
9   within the range of fairness, I most likely -- was
10   most clearly by whether such a treatment of pilots
11   was precedented in -- in arbitration awards, would
12   have been.
13   Q   Did you, in analyzing what reasonable
14   conduct would have consisted of, were you confining
15   your analysis to other situations in which -- in
16   which one party had a unilateral right with respect
17   to seniority integration?
18   A   No. I was assuming it was a genuine
19   negotiation, and that even though one party may have
20   had a unilateral right, that they would be acting
21   fairly and in -- in keeping with other seniority
22   integrations that arose from fair process.
23   Q   So were you excluding from your
24   analysis of what reasonable conduct would have been,
25   the four other unilateral seniority integrations

10 (Pages 37 to 40)

RIKK SALAMAT

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 1   referenced in your figure eight?
 2       A     Well, reasonable conduct would have
 3   been consistent with negotiated agreements, not
 4   unilateral agreements. So they will be -- have to
 5   be excluded. I mean, they are not the result of a
 6   negotiation. They are the result of one party
 7   acting unilaterally. So they would not be
 8   appropriate to measure whether the -- the result of
 9   a particular negotiation or arbitration was
10   reasonable.
11       Q     So is it true to say that you excluded
12   those four other unilateral seniority integration
13   determinations from your analysis of what would be
14   reasonable?
15       A     That's correct.
16       Q     And did you also exclude from your
17   analysis the instances on your list in which a
18   negotiated resolution was reached?
19       A     I did not.
20       Q     Did you take -- did you take into
21   account the results of the TWA/Ozark seniority
22   integration?
23       A     I had very little information about the
24   TWA/Ozark integration. I believe it was unilateral,
25   so I don't believe it was -- there was not a
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 1   seniority award associated with TWA/Ozark.
 2       Q     So did you exclude it from your
 3   analysis because you had insufficient information
 4   concerning that seniority integration?
 5       A     To the extent that I considered
 6   TWA/Ozark, and if I can just go to the list here --
 7       Q     It's on page 21.
 8       A     What year was TWA/Ozark?
 9       Q     1986.
10       A     Yes, that was an agreement between the
11   parties, and I do not have -- I did not have any
12   information other than knowing that it was a -- an
13   agreement that the parties had reached.
14       Q     So did you exclude that seniority
15   integration from your analysis because you lacked
16   sufficient information about how the seniority
17   integration was done?
18       A     I believe that would be a fair
19   statement.
20       Q     Are -- are there other seniority
21   integrations on this list about which you lacked
22   sufficient information to include them in your
23   analysis?
24       A     No. I believe just that one and the
25   other unilateral agreements.
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 1       Q     Do you have any information about how
 2   the seniority integration was done in the TWA/Ozark
 3   transaction?
 4       A     I do not.
 5       Q     Is that something you would be able to
 6   determine from the information you have about the
 7   TWA pilots?
 8       A     It's -- it's conceivable, but I would
 9   have to go back and review the documents that I
10   have, I've already cited, and look at the records
11   that I already have.
12       Q     So referring you--
13       A     Sorry. If I could just clarify what I
14   was saying about TWA/Ozark.
15             As I sit here today, I do not recall the
16   particulars of that merger, so I -- I don't believe
17   I would have actually excluded it from my analysis
18   entirely. I'm sure I considered it, but as I sit
19   here today, I can't really remember how that merger
20   was done and what the -- what type of agreement it
21   was.
22       Q     Well, are you saying you do believe you
23   have information on the TWA/Ozark transaction?
24       A     Yeah. I am now recalling that I do
25   have some -- some information on the Ozark pilots,
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 1   on who they were and where they were on the list.
 2   Some of the documents I was provided, source
 3   contributing lists to the merger, indicated which
 4   pilots they were. But how that agreement came to
 5   be, I don't know if I have any process documents, or
 6   -- I would have to go back and review it, but --
 7       Q     Do you have information --
 8       A     -- it's not that -- I -- I do have some
 9   information on the merger. Sitting here today, I
10   can't remember which pieces of information I
11   referred to.
12       Q     Do you have information on how many
13   Ozark pilots got stapled to the bottom of the TWA --
14       A     Sitting here today, I don't recall. I
15   will have that somewhere, but I don't have it.
16       Q     Is that information that you would have
17   produced as part of your backup materials?
18       A     Any material I had on TWA/Ozark, I
19   believe I would have produced. I -- if there is an
20   agreement, it would have been produced with the
21   seniority awards. If I had a seniority list that
22   indicated where those pilots were, that would have
23   certainly been produced.
24       Q     Okay. So you say at page 15 of your
25   report, the second to the last paragraph, last
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11 (Pages 41 to 44)

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RIKK SALAMAT

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1 sentence, you say, reasonable in this context means
2 that the parties have taken all the risks into
3 account and that their decisions are consistent with
4 the awards and agreements that have resulted from
5 other disputes.
6   Do you see that?
7   A   I do.
8   Q   Is that some accepted definition of
9 reasonableness in your field?
10   A   I don't know that my field is wide
11 enough to have an acceptable definition. I believe
12 that's a reasonable definition.
13   Q   Did you -- did you take this definition
14 of reasonableness from some sort of authoritative
15 source?
16   A   No, I did not.
17   Q   Have you ever seen a definition of
18 reasonableness that substantially is similar to this
19 that appeared in any sort of peer-reviewed article?
20   A   Well, let me think about that.
21   I would need to go back and review, but I
22 believe the article that I cited on systematic bias
23 in -- in estimating may have -- may have described
24 reasonable in a similar fashion, but I don't -- this
25 -- this being a fairly generic concept of reasonable

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1 that your decisions are consistent with precedent, I
2 don't think it is all that outside, but I would have
3 to go and find a specific source. Sitting here,
4 today, I can't -- I -- this didn't come from a
5 specific source. This, I thought, fell more in the
6 realm of common sense.
7   Q   And what article on systematic bias are
8 you -- are you referring to?
9   A   It would be talking about Lowenstein,
10 Issacharoff, and et al.
11   Q   Are you aware of any definition of
12 reasonable along these lines in any case law from
13 the United States?
14   A   I am not.
15   Q   Any case law from Canada?
16   A   I'm not aware.
17   Q   Any arbitration decision that defines
18 reasonable in this way?
19   A   Not that I can recall, no.
20   Q   And why is it necessary for you to make
21 this qualification in your estimate that both
22 parties were acting reasonably in the way that you
23 define it?
24   A   Sorry. Why is it necessary for me to
25 qualify what I mean by being reasonable?

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1   Q   For purposes of your analysis, why is
2 it necessary for you to make the qualification that
3 your estimate is dependent on the parties acting
4 reasonably?
5   A   Well, it is not -- it's -- the
6 assumption is that the parties are acting
7 reasonably.
8   Q   As you define it; correct?
9   A   As I -- as I define it. And by
10 reasonable, I think it is not a stretch to say a
11 party is acting reasonably if their decisions and
12 their agreements are consistent with the outcomes
13 from other disputes of a similar nature, so --
14   Q   And why do you need to make that
15 assumption that the parties are acting in accordance
16 with the way you've defined reasonable?
17   A   Well, again, we -- we have to assume
18 that the parties are acting reasonably. It's
19 only -- it's -- it's necessary to define what you
20 mean by reasonable.
21   Q   Could you do your analysis without
22 making the assumption that you made that the parties
23 behaved reasonably in the way that you defined it?
24   A   Could I do the analysis if I assumed
25 the parties, for instance, were acting irrationally?

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1 Well, I would have to go back and take a look at
2 articles to see if anyone had ever attempted to
3 estimate the outcome of parties acting irrationally.
4 If there is a systematic way to do it, I'm unaware
5 of it. All of the sources that I reviewed assume
6 parties are acting reasonably. The replication
7 principle assumes that parties are acting
8 reasonably.
9   Q   Well, you have a very particular
10 definition of reasonably -- reasonably; correct?
11   A   Yes. That's -- that's fair.
12   Q   And other than the possibility of
13 Lowenstein, you couldn't point me to any other
14 source that used that definition of reasonably;
15 correct?
16   A   And possibly not even Lowenstein. As I
17 say, reasonable in this context, to me, means that
18 the parties are making decisions consistent with
19 other disputes.
20   Q   So I'm not asking, if you could have
21 done your analysis if you had to assume that people
22 were acting irrationally. I'm asking if you could
23 have done your analysis without assuming that people
24 were acting reasonably in the way that you defined
25 reasonably?

12 (Pages 45 to 48)

RIKK SALAMAT

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1   A   If there was some alternative
2 definition of reasonable that you would proffer, I
3 could tell you whether I could do the analysis or
4 not. This was the definition reasonable and
5 rational that I used. And so, the question that you
6 are asking needs to be a little bit more specific.
7 Could I have -- could I have done this analysis if
8 reasonable meant something else, I can answer the
9 question. There is all kinds of other definitions
10 of reasonable one could use to -- instead of this
11 one, and I -- so I would need to know what that
12 definition would be. In this case, I thought that
13 was the correct definition of reasonable to use.
14   Q   And if you had used a different
15 definition of reasonable in conducting your
16 analysis, is that something that would have the
17 potential to affect the results of your analysis?
18   A   If I had used a different definition of
19 reasonable? The potential is there. I -- I would
20 have to, first of all, be convinced that the
21 different definition was -- was the correct one.
22 But in this case I believe this is the correct one.
23   Q   So I'm -- I'm not asking what you think
24 is the correct definition of reasonable. I saw the
25 definition of reasonable that you have in your

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1 report.
2   A   Well, if I started -- sorry.
3   Q   Could you just wait?
4 My question is, if you had used a different
5 definition of reasonable in your analysis, is that
6 something that would have the potential to affect
7 your results?
8   A   It would.
9   Q   Would it affect your analysis if you
10 knew that the APA was not considering the results of
11 any prior seniority integration resolutions that
12 resulted from arbitration?
13   A   I -- I think it would be difficult to
14 start from that premise to say that the APA was not
15 going to consider how other groups had been merged,
16 would assume that they -- that they weren't
17 attempting to be rational, reasonable or fair. So I
18 don't think I can answer your question, because that
19 would be contrary to the very premise that I started
20 off with, which is that the parties were trying to
21 be reasonable, rational and fair. So to take a --
22 to take a contrary point of view as a starting
23 point --
24   Q   I know you have a certain view of
25 what's reasonable, rational and fair. I'm asking a

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1 different question, which is, if you knew as a
2 matter of fact the APA did not regard as relevant
3 the results of arbitrated resolutions of seniority
4 integration disputes, would that affect your
5 analysis in trying to determine what agreement might
6 have been reached between the TWA MEC and the APA in
7 the event that ALPA had pursued the actions you
8 describe in your report?
9   A   I don't believe it would.
10   Q   And why do you say that?
11   A   Whether the APA would have considered
12 them relevant or not, under a more intensive
13 negotiating process, no doubt the very ideas that
14 are embodied in all of them about how pilots get
15 treated and what constitutes fair, what constitutes
16 reasonable, would be brought into the negotiation.
17 So whether -- whether the agreements themselves got
18 referred to and said, well, what we should do here
19 is exactly what happened in, you know, pick any
20 random merger, I don't think is really the relevant
21 point. What's relevant is what is brought into the
22 negotiation and whether that negotiation is
23 intensified or not. I don't think there is anything
24 that you couldn't bring into the negotiation by some
25 other means within any of those awards. The history

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1 of pilot mergers is fairly well known.
2   Q   Does your analysis take into account
3 the effect of 9/11 on the negotiations between the
4 APA and the TWA MEC?
5   A   I -- I -- I don't know really how to
6 answer that. 9/11 was a fact. The negotiation for
7 one reason or another wasn't concluded prior to
8 9/11. You know, after 9/11, the airline industry
9 was in a difficult economic state. So my analysis
10 doesn't start from the point of view of whether that
11 negotiation or an agreement would have been reached
12 prior to or after 9/11, whether that would have made
13 matters more difficult. Had ALPA undertaken any of
14 these actions, it is entirely conceivable that a
15 negotiation had been completed well before 9/11. So
16 it is a reality that I took into consideration, but
17 beyond that, it would be difficult for me to answer
18 your question.
19   Q   Well, the prospect that had ALPA
20 pursued all the actions that you list in your
21 report, negotiations would have been concluded prior
22 to September 11th --
23   A   That's a possibility.
24   Q   -- that's just speculation on your
25 part; correct?

13 (Pages 49 to 52)

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1   A   That is one possible outcome.
2   Q   And you are not offering --
3   A   You also --
4   Q   You are not offering an expert opinion
5   that that would have happened; correct?
6   A   I am not offering an expert opinion
7   that that would necessarily have happened.
8   Q   And you -- and you are not assessing
9   any probability that negotiations would have been
10   concluded prior to September 11th, are you?
11   A   I'm not. I'm also not offering any
12   evidence on how far the negotiation would have
13   proceeded and how many issues would have been agreed
14   to by the time 9/11 occurred. We are talking about,
15   you know, a negotiation process that would have
16   occurred more intensively had ALPA not been in
17   breach. Where it would have been by September 11th,
18   I cannot say. I can't offer an opinion on that.
19   Q   Does your analysis take into account
20   any impact that the events of 9/11 and their effect
21   on the airline industry had on the negotiations
22   between the APA and the TWA MEC?
23   A   Sorry. Can you say the question again?
24   Q   Yeah. The question is, does your
25   analysis take into account any impact that the

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1   events of 9/11 and their effect on the airline
2   industry had on the negotiations between the APA and
3   the TWA MEC?
4   A   Well, as I said, I -- I -- I believe it
5   does. You know, whether 9/11 would have been
6   relevant to the negotiation depends on whether the
7   negotiation was completed before 9/11 or whether
8   negotiations were in their final stage before 9/11.
9   The largest move that the APA made was after 9/11
10   so, you know, it was -- it was -- it's a reality I
11   took into consideration.
12   Q   Did you take into consideration that
13   the events of 9/11 and their aftermath made the
14   prospect of furloughs significantly more likely?
15   A   I did.
16   Q   And in your list, when you suggest that
17   fewer TWA pilots should have been stapled, you are
18   at the same time saying that more American Airlines
19   pilots should have been exposed to furlough;
20   correct?
21   A   That's correct.
22   Q   And you think that's something the APA
23   could have been persuaded to do had ALPA pursued the
24   actions you list in your report; correct?
25   A   Yes.

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1   Q   And you don't have any specific
2   information that the APA was prepared to expose more
3   American Airline pilots to furlough than it did;
4   correct?
5   A   I have only the understanding that the
6   APA wanted to be fair and reasonable. So whether --
7   Q   So could you answer --
8   A   -- whether they would have been willing
9   to furlough more American Airlines pilots in the
10   absence of ALPA's breach, I believe they would have.
11   Q   My question is, do you have any
12   information, any evidence that you are aware of in
13   this case that the APA was willing to expose more
14   American Airlines pilots to furlough in the wake of
15   9/11?
16   A   Well, the largest move on the staple at
17   the bottom of the list was after 9/11, so I have
18   some evidence.
19   Q   My question is, do you have any
20   evidence that the APA was willing to expose more
21   American Airline pilots to furlough relative to the
22   ones that were exposed in Supplement CC?
23   MR. JACOBSON: Objection. Asked and
24   answered, I believe.
25   THE WITNESS: Their largest move on the

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1   bottom staple was after 9/11, so, yes.
2   BY MR. TOAL:
3   Q   And do you have any evidence beyond
4   that?
5   A   No.
6   THE WITNESS: Could we take five
7   minutes?
8   MR. TOAL: Yeah. Go off the record.
9   VIDEO SPECIALIST: The time is 10:53.
10   Off the record.
11   (Brief recess.)
12   VIDEO SPECIALIST: This begins tape
13   number two. The time is 11:12 a.m. We are back on
14   the record.
15   (Salamat-17 TWA pilot seniority
16   integration summary of Supplement CC from
17   APA's mergers and acquisitions committee
18   dated December 14, 2001 marked for
19   identification.)
20   BY MR. TOAL:
21   Q   Mr. Salamat, I show you a document
22   entitled a TWA pilot seniority integration summary
23   of Supplement CC from APA's mergers and acquisitions
24   committee dated December 14, 2001. I mark this as
25   Salamat Exhibit-17.

14 (Pages 53 to 56)

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1   Let me know if this is a document you've seen
2 before.
3   A   I don't believe I have. Give me a
4 moment. No. I don't believe I've ever seen this
5 document.
6   Q   Okay. Let me direct your attention to
7 page 8754 using the pages at the bottom right.
8   A   I have it.
9   Q   Okay. You see in the paragraph at the
10 bottom of the page it says, last sentence, at the
11 same time, the two merger committees did agree on
12 the basic guidelines for a fair integration, and
13 carrying over onto the next page, first bullet point
14 says, fair integration should preserve the career
15 expectations of the members of each pilot group, the
16 pre-transaction expectations at the time the
17 transaction was entered into.
18   Do you see that?
19   A   I do.
20   Q   If you in your analysis had used the
21 definition of reasonableness that required
22 preservation of the pre-transaction career
23 expectations of each pilot group, would that have
24 affected your analysis?
25   A   Well, I did, first of all, the

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1 pre-transaction expectations at the time the
2 transaction was entered into. So, you know, this
3 is -- this is the issue that comes up in every
4 seniority arbitration and what people's expectations
5 were pre-transaction. And so it's been considered
6 in all of those that I've been involved in and it
7 was considered in this one.
8   Q   Did you consider how your Salamat list
9 affected the career progression of American Airlines
10 pilots?
11   A   To the extent that I compared each
12 model I looked to to the income optimal model, yes.
13   Q   Did you compare whether the Salamat
14 damage model would have slowed the career
15 progression of American Airlines pilots relative to
16 what it would have been prior to the transaction
17 between American Airlines and TWA?
18   A   I did.
19   Q   And what assessment did you reach about
20 whether the Salamat damage model would have slowed
21 the career progression of American Airlines relative
22 to the progression they would have had at American
23 Airlines absent the transaction?
24   A   Well, the income optimal model which
25 gives pilots sufficient seniority to hold the

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1 position they have will be a -- a generally good
2 proxy for a list which optimally assigns pilot
3 seniority numbers according to their career
4 progression.
5   Now, there is a dynamic issue to this which
6 says, will pilots be able to progress as fast as
7 they would otherwise? Given that the TWA pilots
8 were largely older than the American Airlines pilots
9 in the seniority list where they were -- were
10 grouped under the Salamat model and, in fact, all of
11 these models, except specifically for the income
12 optimal model, I know as an absolute fact that the
13 only way the TWA pilots could have slowed the
14 progression of any American Airlines pilots would,
15 for them, younger TWA pilots would have been grouped
16 ahead of older American Airlines pilots, and that
17 wasn't the case under any of the lists.
18   So I know that as a fact, that -- that none of
19 these lists would have slowed the American Airlines
20 pilots. So we have two things we looked at,
21 comparison to the income optimal list and just a
22 comparison of the demographics of the two lists.
23   Q   And what's the income optimal list?
24   A   That would be called the -- the
25 fairness list.

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1   Q   Do you have an understanding that the
2 most junior American Airlines pilot hired prior to
3 April of 2001 was a gentleman named B.D. White?
4   A   That name sounds familiar.
5   Q   And do you have an understanding that
6 the APA's proposals regarding seniority integration
7 were based on an assessment of the career
8 progression of B.D. White?
9   A   I -- I -- I know that their conditions
10 and restrictions were tied to that individual.
11   Q   Do you have an understanding that their
12 seniority numbers were tied to that individual?
13   A   Sorry. I'm -- I'm -- I'm not sure what
14 you are -- you're asking me.
15   Q   Do you have an understanding that the
16 manner in which the APA constructed the list that it
17 proposed Supplement CC was based on the anticipated
18 career progression of B.D. White?
19   A   I was unaware of that fact. It doesn't
20 surprise me, but I was -- I was not aware of that
21 fact.
22   Q   Why does it not surprise you?
23   A   Because B.D. White was tied to the
24 sunset clause for bidding restrictions.
25   Q   Did you assess whether your Salamat

15 (Pages 57 to 60)

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1   damage model slowed the career progression of B.D.
2   White relative to what it would have been at
3   American Airlines absent the transaction?
4   A   Well, to do that, you would have to
5   make assumptions about what the un-merged carriers
6   would have done. If one had used a static
7   assumption for that, then yes. The income model
8   would be a sufficient proxy for that, and just the
9   demographics of the list would be a sufficient proxy
10 for that. Again, if TWA pilots would be bringing
11 more attrition ahead of B.D. White, then he would be
12 able to access the jobs brought by TWA. If you used
13 some other type of forecast for what would have
14 happened to the carriers absent the merger, then you
15 would get different results.
16   So as I said, I believe, yesterday, these
17 types of measuring career progressions have to be
18 done reasonably and opportunistically because if I
19 was to say, for instance, well, American Airlines is
20 going to grow by 10 percent a year, but now, because
21 we've merged with TWA, we are going -- actually
22 going to shrink by five percent a year, then I have
23 to give B.D. White considerably more seniority in
24 order to preserve what you would opportunistically
25 refer to as a career opportunity. And, you know,

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1   pilots do this, but it is not the most reasonable or
2   fair way in order to assess it. In the absence of a
3   more intensive negotiation, you can have those
4   opportunistic forecasts.
5   So when you asked me did I analyze what would
6   happen to the career progression of B.D. White, to
7   the extent that it is a reasonable static
8   progression based on the jobs that each pilot had at
9   the date of the merger, then, yes. If it is based
10 on some other type of opportunistic assessment of
11 the future of the carriers, then, no.
12   Q   And did you assess the assumptions that
13 the APA was making concerning American Airlines'
14 projected growth absent the TWA merger?
15   A   I don't know what their -- their
16 forecast for American Airlines' growth was.
17   Q   Do you know whether their forecasts
18 were reasonable or unreasonable?
19   A   I -- I don't know if they had them at
20 all. I don't know how they did their forecasts.
21   Q   In your analysis, when did you
22 calculate, what date did you calculate that B.D.
23 White would be eligible for a small wide-body
24 captain position?
25   A   I didn't calculate that date

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1   specifically.
2   Q   Did you determine whether your analysis
3   affected B.D. White's date for being eligible for a
4   small wide-body captain position?
5   A   I did not specifically do that
6   analysis.
7   Q   Do you know if the APA was basing its
8   proposed list on that analysis?
9   A   I do not know.
10   Q   We did begin discussing the Salamat
11 damage model on page 29 of your report; correct?
12   A   That's correct.
13   Q   And in the first paragraph under the
14 heading Salamat damage model, you describe that the
15 yardstick for your analysis is the outcome from
16 other similar matters; correct?
17   A   Correct.
18   Q   And by other similar matters, did you
19 mean other similar pilot seniority integrations?
20   A   I meant the similar matters where you
21 had a bankrupt carrier and another carrier merging
22 with the similar types of work.
23   Q   But we are still talking about pilot
24 seniority integrations; right?
25   A   Yes, pilot seniority integrations.

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1   Q   Okay. And within that universe, what
2   you meant specifically by other similar matters was
3   transactions in which -- which one carrier was
4   bankrupt and another carrier merging with similar
5   types of work; is that correct?
6   A   That's correct.
7   Q   Did you believe that TWA and American
8   Airlines had similar types of work?
9   A   Yes.
10   Q   In what ways were -- did American
11 Airlines and TWA have similar types of work?
12   A   They were both scheduled carriers
13 operating 767, 757 and narrow-body MD80 aircraft,
14 717s, and Fokker 100s, I believe. So comparable
15 aircraft, scheduled air carriers.
16   Q   Your understanding was that both TWA
17 and American Airlines had F100s?
18   A   I believe just American Airlines had an
19 F100.
20   Q   Were there respects in which the work
21 that American Airlines and TWA had were dissimilar?
22   A   Yes.
23   Q   In what respects?
24   A   I believe American Airlines -- American
25 Airlines operated the 777 and a 330 or 300 wide-body

16 (Pages 61 to 64)

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1   aircraft.
2   Q   Any other respects in which the
3   carriers were different?
4   A   I believe American Airlines had a
5   larger international network as a result of
6   operating those larger wide-body aircraft. American
7   Airlines was a larger carrier.
8   Q   Did you make any analysis of the
9   projected future growth of each airline at the time
10   of the transaction?
11   A   I did not.
12   Q   Would that have been relative to your
13   analysis?
14   A   No, it would not.
15   Q   Why not?
16   A   Again, because my -- the starting point
17   for reasonably calculating pilot earnings, pilot --
18   pilot progression and career expectations is based
19   on what's in hand at the point that the two groups
20   come together. You can opportunistically assume
21   that one airline had fantastic growth prospects and
22   the other didn't. You know, history has proven that
23   those estimations can be off.
24   And so, you know, when looking at how pilots
25   are grouped, some reference may be made to the

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1   health of one carrier and how ratios are constructed
2   when merging two lists, but I've not seen a case
3   where one group's, you know, the work that one group
4   brought to the merger was discounted entirely
5   because it was expected or it could possibly have
6   disappeared even imminently. So, you know, some --
7   some reference to economics shows up in -- in
8   arbitration awards, but the role that it plays in
9   the construction of lists is at the margin rather
10   than at the heart.
11   Q   You say that based on your experience
12   with pilot seniority integrations?
13   A   I do.
14   Q   Did you include in your analysis of the
15   jobs that each carrier was bringing to the
16   transaction any planes that the carriers had on firm
17   order?
18   A   I did not.
19   Q   Do you know if the APA did in its
20   proposal?
21   A   I -- I imagine they -- they would have.
22   It is usually a bargaining point that -- that one
23   group or another will bring into the negotiation.
24   Q   Do you know if the TWA MEC agreed that
25   it was appropriate to take into account planes that

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1   American -- American Airlines had on firm order?
2   A   I have no knowledge on whether they
3   agreed that that was appropriate or not.
4   Q   Were there any other criteria you used
5   to determine what other matters were similar for
6   purposes of your Salamat damage analysis?
7   A   Other than?
8   Q   Other than what you've testified to
9   previously.
10   A   As I sit here now, I can't recall any
11   because I can't remember what I said previously.
12   You know, largely --
13   Q   When you testified to --
14   A   Let me just go -- let's go back over
15   it. I mean, there is the financial state of the
16   carriers. There is the types of work that each
17   carrier brought to the merger. You know, the length
18   of service of the pilots from -- from two carriers
19   is an issue. The age of the pilots of the two
20   carriers is an issue. Any way in which -- any --
21   any potential factor that an arbitrator mentioned
22   that could show some similarity to the -- the merger
23   between these two airlines was considered. The
24   major ones, however, being the financial state of
25   the carriers and the -- the number and character of

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1   work being brought to the merger being the main
2   things I was looking for.
3   The -- the other -- let me -- let me just go
4   off, you know, and -- and come back around this on
5   another way. When reviewing the awards, those were
6   the types of issues I was looking for. The other
7   main issue I was looking for were situations where
8   pilots were stapled to the bottom of the list or
9   where one group or another was given the top of the
10   list. Those were the features of mergers that I was
11   interested in to find out what the circumstances
12   were that led to one group or another being stapled
13   to the bottom of the list and the extent to which
14   those circumstances were reproduced to the list.
15   And that would be specific to each group. So, you
16   know, in particular, that's what I was interested
17   in, in reviewing these other awards to look for
18   comparables.
19   Q   And in reviewing the -- the amount and
20   character of work, your analysis doesn't include
21   planes that the acquiring carrier had on firm order;
22   correct?
23   A   Sorry? What? In -- in the
24   construction of the damage model, did it include
25   planes that were on order?

17 (Pages 65 to 68)

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1   Q   In your assessment of the amount and
2 character of work that American Airlines had, for
3 instance, you don't take into account the -- any
4 planes that American Airlines had on firm order;
5 correct?
6   A   Well, given that the list wasn't
7 constructed based specifically on APA counts other
8 than, you know, who -- how many positions they had
9 as of 2002, July, being a proxy for the amount of
10 work that they had at that point, no.
11   Q   Okay. Do arbitrators take into
12 account, in assessing the amount of work that a
13 carrier is bringing to a transaction, the number of
14 planes on firm order?
15   A   They -- they may have.
16   Q   Are you aware of some arbitration
17 decisions that do?
18   A   Sitting here today, I can't think of
19 one that does, but orders are certainly mentioned in
20 almost all of them. To the extent to which those
21 orders are -- are -- pilots are given credit for
22 those future orders in the construction of the list,
23 I can't say that I can think of any off the top of
24 my head. I can think of cases where -- where others
25 may have been, you know --

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1   Q   Using your criteria for what other
2 matters were similar, which particular transactions
3 did you decide were similar?
4   A   Well, the ones that I discuss, so
5 particularly in the arbitrated lists section where I
6 say, where was one group given the top of the
7 seniority list. So that would be Southwest/AirTran,
8 US Airways, Continental/People,
9 Continental/Frontier, Continental/Newark/New York
10 and Canadian Pacific. In each of those mergers, I
11 wanted to understand as best I could what the
12 circumstances were that led to one group or another
13 having exclusive rights to the top of the list.
14   The other mergers I referred to having
15 comparable -- being comparable were -- lists were --
16 where a group was given the bottom of the seniority
17 list. And again, that's Southwest/AirTran,
18 Republic, and the others, US Airways,
19 Continental/Frontier and Canadian Pacific.
20   To understand why it is that pilots either are
21 given the top of the list or the bottom of the list
22 was of most concern here because, as I said, given
23 the APA's pilots' response to the rightful place
24 proposal, I assumed that their method for
25 constructing the list which would have had an

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1 exclusive group at the top and some number of TWA
2 pilots stapled to the bottom would be the general
3 methodology that would be agreed to for constructing
4 the list, and not some other statistical or -- or --
5 I'm not sure how to best characterize Tannen's list,
6 but, you know, some other mathematical method for
7 constructing the list that their top, middle, bottom
8 would be the general outline of the agreement.
9   Q   Did you consider the Republic/Midwest
10 transaction to be comparable?
11   A   Republic/Midwest?
12   Q   Yeah.
13   A   To the extent that one group ended up
14 at the bottom, it was -- it was an award that was
15 referred to. Whether I would say it is comparable,
16 given that there are four regional carriers versus
17 two main line carriers, I don't think they would be
18 comparable. Some of the carriers involved in the
19 transaction were in difficult financial condition.
20 One, I believe, was not operating at all. One had
21 furloughees.
22   So there are things to be -- you know, that
23 you can say had some similarities to the situation.
24 But, you know, to say that that one is comparable, I
25 don't -- I don't know I would. I mean, I don't know

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1 that any one merger is -- is like any other to the
2 extent that, as we read yesterday in the Nicolau
3 America West Award, each merger resolves on its own
4 facts or however he put it.
5   Q   In your assessment of the amount of
6 work that TWA was bringing to the transaction, did
7 you take into account the possibility that American
8 Airlines would not be accepting TWA planes?
9   A   I did.
10   Q   And how did you take that into account
11 of?
12   A   The list was constructed by using only
13 the captain and first officer accounts from the
14 Boeing 767 or 57 and the MD80. So the Boeing 717
15 captain and F -- first officer positions weren't
16 included in the group that would have been merged
17 with American Airlines pilots, and we only used the
18 -- the counts of those positions that remained as of
19 July 2002 in order to account for the fact that some
20 rationalization of staffing and fleet was going to
21 occur over the -- over the near future. So July --
22 the assumption was that the number of positions that
23 remained as of July 2002 would have been positions
24 that were anticipated to continue.
25   Q   Were you assuming that if a TWA pilot

18 (Pages 69 to 72)

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1 was employed in July of 2002, that the plane on
2 which that pilot formerly flew was accepted by
3 American Airlines into the transaction?
4   A   No. But that's the number of positions
5 that the TWA pilots brought into the merger, not
6 necessarily the specifically aircraft that they were
7 sitting on. Nobody -- nobody changed position over
8 that time to a piece of equipment that -- that TWA
9 didn't operate pre-transaction. So whether they
10 were on their own metal as of 2002, I can't say.
11   I believe the single operating certificate, I
12 don't know -- I don't know when exactly it was
13 granted to American, but that would have -- that
14 would have delineated a point in time when the two
15 pilot groups could cross over onto each other's
16 metal, and I don't know when that occurred.
17   July 2002, the number of positions that TWA
18 pilots had at that point in time was the proxy used
19 for the amount of work, sustainable work in the --
20 in the American Airlines pilots' estimation would
21 have been there.
22   Q   Do you have any understanding of
23 whether in the rationalization of the fleet
24 following the transaction, how many TWA planes were
25 no longer maintained in the combined entity?

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1   A   I -- I believe the 717 fleet was not
2 brought into American, so I didn't count those
3 positions. I don't know -- I don't know what -- how
4 many MD80s, or 767, 757s were taken out of the
5 fleet. I -- no, I don't have any information on
6 that.
7   Q   Is that something that you factored
8 into your analysis in any way?
9   A   No. I factored simply the number of
10 positions that the TWA pilots had on those pieces of
11 equipment.
12   Q   So you assumed, if a TWA pilot was
13 still employed by American Airlines in July 2002,
14 that represented a job that TWA contributed to the
15 combined entity; correct?
16   A   It is.
17   Q   Take a look at page 16 of your report.
18   A   I have it.
19   Q   And if I could direct your attention to
20 figure four. This chart represents TWA pilot change
21 in status between April 2001 and July 2002; correct?
22   A   That's correct.
23   Q   And what is the source of your
24 information for this chart?
25   A   The source of information was the

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1 contributing TWA seniority list based -- dated --
2 dated April 4th, 2001, and the employment history
3 data provided by American Airlines.
4   Q   And how are you defining a change in
5 status for purposes of this figure?
6   A   Whether a pilot went from
7 narrow-body -- well, there -- there -- in the
8 paragraph above, it says, statuses are wide-body
9 captain, narrow-body captain, wide-body first
10 officer, and narrow-body first officer. So
11 wide-body would be 767, 757. And narrow-body would
12 be Boeing 717 and MD80. Captain and first officer
13 obviously being captain and first officer. So if
14 one went from one grouping of aircraft position to
15 another, that would be a change in status.
16   Q   So you say for purposes of this list,
17 between April 2001 and July 2002, for 61 percent of
18 the TWA pilots, there is no change in status;
19 correct?
20   A   Yes.
21   Q   Okay. For four percent of the pilots,
22 they went to an increased position?
23   A   That's correct.
24   Q   So that would mean going from, for
25 example, a narrow-body to a small wide-body?

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1   A   Yeah. Or from captain -- or from first
2 officer to captain.
3   Q   Either of those could be a change in
4 status?
5   A   That's correct.
6   Q   You say eight percent decreased
7 position?
8   A   That would be moving in the opposite
9 direction.
10   Q   So that could be moving from a small
11 wide-body to a narrow-body, or moving from captain
12 to first officer; correct?
13   A   Correct.
14   Q   Any other ways in which you could
15 decrease your position?
16   A   Well, you could go from wide-body
17 captain to narrow-body first officer. You know,
18 there is a ranking of positions starting with
19 narrow-body first officer, captain -- narrow-body
20 captain, wide-body first officer, wide-body captain.
21 So that would be the ranging of positions. If you
22 go up, you would have increased in position. If you
23 go down, you've decreased in position.
24   Q   Okay. For purposes of this figure,
25 you've created a hierarchy with four categories;

19 (Pages 73 to 76)

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1   correct?
2   A   That's a common hierarchy, yeah.
3   Q   That's what you've done here?
4   A   That's correct.
5   Q   At the top of the hierarchy is
6   wide-body captain, and the bottom of the hierarchy
7   is narrow-body first officer; correct?
8   A   That's correct.
9   Q   Okay. Now, you indicate there were 310
10   furloughs of TWA pilots between these dates;
11   correct?
12   A   That's correct.
13   Q   And do you know how many of those
14   furloughs occurred before implementation of
15   Supplement CC?
16   A   I only know that they occurred between
17   those two dates.
18   Q   Would you have the information that
19   would allow you to determine how many of those
20   furloughs occurred before implementation of
21   Supplement CC?
22   A   I don't believe I would. I don't
23   believe I have any data between April 2001 and April
24   of 2002.
25   Q   And for the 198 TWA pilots that you

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1   indicate had gone down in position, do you have any
2   understanding about the reasons that they decreased
3   position?
4   A   Well, the 717 fleet was largely retired
5   over this period. So a number of pilots went down.
6   So captains on -- on the seven equipment went down.
7   But, you know, just to say off the top of my head,
8   you know, what caused the decrease, the overall
9   cause of the decrease in the position was shrinking
10   the fleet and decreasing the number of jobs that the
11   TWA pilots had access to. So the specific reasons
12   why people changed from one position to another,
13   beyond saying because there was a decrease in the
14   amount of work is difficult to say. You would have
15   to look at each pilot's circumstance and see how it
16   is they ended up ending up in the position they
17   ended up in.
18   Q   Was a decision to decrease the fleet a
19   decision that would have been made by American
20   Airlines?
21   A   I believe so, yes. Likely in -- in,
22   you know, some -- some negotiated capacity with --
23   with the APA. I don't know if the APA had scope, or
24   minimum block hour clauses, or anything like that
25   that guaranteed them -- that guaranteed American

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1   Airlines had to operate a certain number of
2   aircraft. I'm not aware of those. But largely a
3   decision would have been American Airlines.
4   Q   And could the decision to decrease a
5   position have represented a personal choice of
6   individual pilots?
7   A   As could the decision to increase
8   position.
9   Q   So the answer would be yes?
10   A   The answer would be yes. You would
11   have -- you would -- you would have to know whether
12   the pilot had been bumped or whether they had
13   voluntarily -- voluntarily bid, and there is no way
14   to know that with the data that I have available.
15   Q   And do you know, for any of the pilots
16   who decreased position, how many of those were
17   bumped?
18   A   I do not.
19   Q   Do you know how many were replaced by
20   an American Airline pilot with greater seniority?
21   A   I do not.
22   Q   Do you know if any of them were
23   replaced by an American Airline pilot with greater
24   seniority?
25   A   Sitting here today, I don't know. With

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1   the data that we have available, it would be
2   difficult to calculate because they were operating
3   as -- as, you know, two separate groups, and so you
4   would have to make assumptions about how much work
5   may have been transferred from one group to the
6   other. You know, if there was, say, a thousand, you
7   know, captain positions on the narrow-body, both
8   groups had changed over that period of time. Even
9   American Airlines had shrunk, as well. So there's--
10   assumptions would have to be made about whether work
11   had been transferred from one group to the other and
12   I'm not -- there's -- there's no easy way you can do
13   that analysis without coming up with a -- a raft of
14   assumptions.
15   Q   In -- in any event, that's not an
16   analysis you've done to date; correct?
17   A   It's not.
18   Q   To your knowledge, do any of the
19   retirements reflected on this list have anything to
20   do with Supplement CC?
21   A   I don't know. A number of these
22   retirements were some type of early retirement that
23   occurred over the period. I don't know if that was
24   tied specifically to Supplement CC or if that was a
25   separate issue. I expect that these retirements

20 (Pages 77 to 80)

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1   were not specifically tied to Supplement CC.
2   Q   And with respect -- with respect to the
3   inactives, do you know whether any of those had any
4   connection to Supplement CC?
5   A   The 145 that went to an inactive status
6   may reflect the fact that a number of pilots were
7   inactive on the month prior to being furloughed, so
8   it may be the result of Supplement CC. I would have
9   to go and look at each of these 145 and see what
10   that inactive status was, but --
11   Q   But as you sit here today, do you know
12   whether any of these inactives are related to
13   Supplement CC?
14   A   My expectation is that some number of
15   that 145 are on some type of inactive status in
16   anticipation of being furloughed shortly thereafter.
17   So, yes, some of them would be.
18   Q   And are there other reasons for being
19   on inactive status --
20   A   Yes.
21   Q   -- other than going on furlough the
22   next month?
23   A   Yes.
24   Q   And you don't know how many of those
25   145 are inactive because of a possibility of

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1   furlough the next month as opposed to any other
2   reason; correct?
3   A   That's correct.
4   Q   How is this chart reconciled with your
5   figure twelve on page 35?
6   A   I'm sorry. What --
7   Q   So on figure 12, you have positions as
8   of April 2001, and you indicate an aggregate loss of
9   positions of 836 positions; correct?
10   A   You are looking at figure 12?
11   Q   Yes. Do you see the second to last row
12   has loss of positions?
13   A   Yes.
14   Q   And by the way, the headings here say
15   small wide-body captains and narrow-body captains;
16   correct?
17   A   That's correct.
18   Q   And then you have a row for AMR
19   (DFW/ORD); correct?
20   A   That's correct.
21   Q   So is that supposed to represent the
22   number of American pilots at Dallas/Fort Worth and
23   Chicago O'Hare?
24   A   That's correct.
25   Q   And then TWA, you have in the next row,

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1   598 small wide-body captains and 1,548 narrow-body
2   captains; correct?
3   A   That's correct.
4   Q   Okay. But there were not more than
5   2,000 TWA captains; right?
6   A   I don't believe they are, no.
7   Q   So is this supposed to refer to -- the
8   headings on these columns, are these supposed to be
9   pilots instead of captains?
10   A   I believe -- I -- I believe I would
11   have to go back and look at the -- the calculations
12   behind this in order to confirm. The intention was
13   for it to be captains.
14   Q   But -- but you know that there are not
15   2,000 plus TWA captains; correct?
16   A   That number seems incorrect to me.
17   Q   There are only 2,300 TWA pilots; right?
18   A   That seems right, yes.
19   Q   So something is wrong here?
20   A   I believe something is wrong here.
21   Q   And as you sit here today, can you tell
22   me what's wrong with this chart?
23   A   As I sit here today, the -- the counts
24   appear incorrect.
25   Q   Okay. So --

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1   A   I would -- I would gather -- I can't
2   say. Those numbers do seem too high to be the
3   number of small wide-body captains and narrow-body
4   captains.
5   Q   Those are clearly wrong; right?
6   A   They appear to be wrong.
7   Q   Do you think there is any possibility
8   they are right, that there were 2,000-plus TWA
9   captains?
10   A   Well, the purpose of this chart was to
11   see what the -- what the loss in guaranteed number
12   of positions would have been, and so something does
13   appear incorrect here. Those -- those do appear to
14   be pilot positions and not captain positions.
15   Q   Okay. So --
16   A   Whether the 890 is also pilot
17   positions, I'm -- I'm not aware. So I don't know
18   whether the analysis is -- is incorrect or not. I
19   would have to go back and look at the original data
20   files.
21   Q   So the -- the American row --
22   A   May also be incorrect.
23   Q   -- may also be incorrect?
24   A   Yes.
25   Q   The loss of positions you indicate here

21 (Pages 81 to 84)

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1   in the second to the last row indicates a loss of
2   minus 331 for small wide-body captains and a loss of
3   505 for narrow-body captains; correct?
4   A   That's correct.
5   Q   So that's -- that's an aggregate loss
6   of 836 positions; correct?
7   A   Compared to the entitlement, yes.
8   Q   Okay. So if I look at figure four, I
9   don't see 836 positions being lost. Do you?
10   A   Well, they were above their
11   entitlement, and this entitlement of -- this -- this
12   entitlement under Supplement CC of 267 -- and for
13   the moment I'm -- I'm just going to assume that
14   that's the correct number of captains that their
15   entitlement would have been. 267 is -- is the floor
16   that they were entitled to, but not necessarily the
17   cap. I believe in -- in 2002, they had
18   significantly more than 267.
19   Q   Well, I thought you told me yesterday
20   that the number of guaranteed positions was both a
21   floor and a maximum.
22   A   And it drops to the floor over time,
23   but as of April 2002 when the TWA pilots first went
24   over to American, they were considerably above that
25   30 percent.

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1   Q   Did you go back last night and review
2   Supplement CC to try to identify where in Supplement
3   CC you developed the understanding that the
4   guaranteed positions operated as a maximum?
5   A   I did not, but --
6   Q   If I ask you to go to Supplement CC
7   today, can you direct me to where in Supplement CC
8   you derive the understanding that the guaranteed
9   positions represented a maxima?
10   A   No. I -- we can go through it again,
11   but, I mean, didn't review it last night so I
12   couldn't -- I couldn't say where I got that
13   understanding from. The large -- the -- the -- the
14   main place, as I said, was not the agreement. The
15   main place was the F1 history provided by American
16   Airlines showing the number of positions that the
17   TWA pilots had, and it was consistently around
18   the -- within one or two percent of what the
19   entitlement would have been under this Supplement CC
20   formula.
21   Q   Why does that say that Supplement CC
22   defined the guaranteed positions as a maxima?
23   A   It -- it does not necessarily mean that
24   Supplement CC guaranteed it as a maxima.
25   Q   And why didn't you review Supplement CC

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1   last night to try and determine where you developed
2   this understanding?
3   A   At the end of the day, I found myself
4   quite tired.
5   Q   And there was no point between 5:30
6   when we broke and today that you could have reviewed
7   Supplement CC for that purpose?
8   A   No, there wasn't.
9   Q   And that's an important --
10   A   It would have probably solved my
11   insomnia problem, but I also don't think it would
12   have been particularly meaningful for me to review
13   it in the middle of the night. But it -- there was
14   a window there, I grant, where I could have reviewed
15   Supplement CC to great effect of my personal
16   problems, but it wouldn't have helped us here today
17   because I would be no more likely to remember what I
18   read than I was what I actually read.
19   Q   So as you sit here today, can you tell
20   me whether there is anything in Supplement CC that
21   imposes a maximum number of guaranteed positions on
22   the TWA pilots?
23   A   As I sit here today, I cannot.
24   Q   And can you tell me, as you sit here
25   today, whether there is anything else that you are

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1   aware of that limits and restricts the number of
2   guaranteed positions to the TWA pilots?
3   A   That limits the number of guaranteed
4   positions to the TWA pilots?
5   Q   Well, withdrawn.
6   As you sit here today, can you tell me whether
7   there is any source that imposes the guarantees for
8   the TWA pilots as a maxima?
9   A   I believe that's the same question you
10   asked me before, and my answer is still, sitting
11   here today, no.
12   Q   Well, last time I asked as to
13   Supplement CC. This time I'm asking the question,
14   are you aware of anything, anywhere that says that
15   the number of positions the TWA pilots would have in
16   the St. Louis domicile represented a maxima or a
17   limit?
18   A   No.
19   Q   So in constructing your Salamat damage
20   model, we looked before at your definition of
21   reasonable; correct?
22   A   We did.
23   Q   Do you know whether the APA was using
24   the same definition of reasonable?
25   MR. JACOBSON: Object. Asked and

22 (Pages 85 to 88)

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1 answered.
2   THE WITNESS: I believe they -- they
3 were not.
4 BY MR. TOAL:
5   Q   And do you know whether the APA
6 regarded -- do you know which matters the APA
7 regarded as being similar to this transaction?
8   A   I do not.
9   Q   Do you know whether they regarded the
10 same matters that you regarded as similar to be
11 similar to this matter?
12   A   I do not.
13   Q   Do you know whether the APA considered
14 any prior seniority integrations in determining what
15 it thought was an appropriate proposal?
16   A   I believe they considered that their
17 treatment of the Reno pilots was appropriate at one
18 point. But how widespread that view was, I cannot
19 say. One pilot in the Boston domicile report asked
20 why they weren't stapling the whole bunch as they
21 had in Reno. So some pilots were certainly looking
22 back towards that merger.
23   Q   And other than that, do you know
24 whether the APA was considering any other prior
25 matters in formulating its proposal?

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1   A   I have -- I have no knowledge of what
2 they were thinking of other than Reno.
3   Q   And in Reno, all of the Reno pilots got
4 stapled to the bottom of the list; correct?
5   A   That's correct.
6   Q   So take a look at page 29 of your
7 report.
8   A   Yes.
9   Q   You have on this page a number of
10 bullet points that purport to be summaries of
11 objections that the APA made to what the TWA MEC was
12 calling its rightful place proposal; correct?
13   A   That's correct.
14   Q   And are these quotes?
15   A   I believe this is -- I believe this is
16 directly taken as a -- as a -- on above it says, a
17 summary of their objections can be found at pages
18 one to two. So this is their summary of their
19 objections.
20   Q   So the first bullet point says, the
21 proposal fails to take into account any of the
22 radical differences between our group's
23 pre-transaction career expectations.
24   Do you see that?
25   A   I do.

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1   Q   Does your Salamat model take into
2 account differences in the pre-transaction career
3 expectations of the TWA and American Airlines
4 pilots?
5   MR. JACOBSON: I object. Asked and
6 answered.
7   THE WITNESS: I believe it does.
8 BY MR. TOAL:
9   Q   And in what way does it do that?
10   A   By using the later merger -- using the
11 -- the later date for calculating the number of
12 positions that the TWA pilots brought into the
13 merger, it discounts for the fact that the 717
14 wasn't coming into fleet, and so there was
15 diminished expectations of that. That that
16 represented a smaller pool of work than the pilots
17 had at the transaction date.
18   So I believe the model did take into account
19 the fact that they had a different career
20 expectation. This position of the TWA -- that the
21 APA had here, of course, is -- is just -- this is a
22 position they -- they held in the absence of ALPA
23 having done any of the other -- having done any of
24 the -- the strategies that were available to it. So
25 you have to assume that the way in which this

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1 expectation or this goal of having career
2 expectations factored into the final agreement would
3 have had to be modified over time because the TWA
4 pilots obviously had a different understanding of
5 what career expectations were, so --
6   Q   Well, this is a July 18, 2001 letter;
7 correct?
8   A   That's correct.
9   Q   So this is before some of the ALPA
10 actions you set forth on your list could have taken
11 place; right?
12   A   Yeah, and after a number of the others
13 could have taken place. This -- this position had.
14   MR. JACOBSON: Let him finish the
15 answer.
16   MR. TOAL: Sure.
17   THE WITNESS: Okay. Go ahead.
18 BY MR. TOAL:
19   Q   Is there any other way in which your
20 Salamat damage model takes into account differences
21 in the pre-transaction career expectations of the
22 TWA and American Airlines pilots beyond what you
23 just described?
24   A   Well, that is the main way. It
25 discounted the number of positions that were used in

23 (Pages 89 to 92)

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1 order to create a merged group, the American
2 Airlines Pilots. It also picked a staple -- I'm
3 sorry -- a first insertion point at the top of the
4 list that gave the APA credit for the larger
5 equipment that they had, a transaction date. So in
6 both of those ways I believe it was taken into
7 account.
8   Q   Any other way that you can think of as
9 you sit here today?
10   A   No.
11   Q   Also referenced in this bullet point is
12 differences based on the nature of the carrier's
13 pre-transaction operations. Do you see that?
14   A   Yes.
15   Q   Does your Salamat damage model take
16 into account differences based on the nature of
17 TWA's and American's pre-transaction operations?
18   A   Well, the nature of their
19 pre-transaction operations, the way I understand it,
20 and the way it was factored into my model was that
21 the APA pilots were operating large wide-body
22 aircraft, and so the treatment of the top of the
23 list was consistent with that, so --
24   Q   Does it take into account those
25 differences in any other way?

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1   A   Okay. Again, by using a discounted
2 number of positions for the TWA pilots.
3   Q   Any way other than that?
4   A   No.
5   Q   Also referenced here are differences in
6 pre-transaction pay benefits and working conditions.
7 Do you see that?
8   A   Yes.
9   Q   Does your Salamat damage model take
10 into account differences in pre-transaction pay,
11 benefits, and working conditions between the
12 American and TWA pilots?
13   A   No. Only the number of positions that
14 they had.
15   Q   Also referenced here are differences in
16 the pre-transaction, long-term job security based on
17 the carrier's financial condition. Do you see that?
18   A   By using the later date, having
19 rationalized the TWA fleet as the baseline for
20 counting the number of positions that TWA brought to
21 the merger, yes.
22   Q   So is it your testimony that your
23 Salamat damage model takes into account
24 pre-transaction, long-term job security based on the
25 carrier's financial condition in that way?

95

1   A   Yes.
2   Q   Does it take into account those
3 differences in any other way?
4   A   No.
5   Q   Have you formed a view as between
6 American Airlines and TWA prior to the transaction,
7 which pilot group had better long-term job security?
8   A   No, I've not.
9   Q   Are you able, based on the information
10 you are aware of, to form a view about which pilot
11 group, prior to the transaction, had better
12 long-term job security?
13   A   Well, if I was a betting man, I would
14 have bet on American Airlines. But, you know, as I
15 say, I haven't done any financial analysis of the
16 two carriers. But the fact that TWA was in
17 bankruptcy and American Airlines wasn't would make
18 me think that the American Airlines pilots had a
19 greater chance -- had -- had greater job security
20 than the TWA pilots did.
21   Q   Do you have any basis for saying which
22 pilot group, prior to the transaction, was at
23 greater risk of furloughs?
24   A   I would have to say that the TWA pilots
25 were at greater risk of furlough.

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1   Q   Do you have any understanding of which
2 pilot group had higher pay rates?
3   A   It's my understanding that the American
4 Airlines pilots had higher pay rates.
5   Q   In the second bullet point, the APA
6 says that the TWA pilots' rightful place proposal
7 credits the TWA pilots for assets which were not
8 acquired by American and for other assets which will
9 not be deployed in the consolidated operation.
10 Do you see that?
11   A   I do.
12   Q   Did you analyze the extent to which the
13 TWA pilots' rightful place proposal credited the TWA
14 pilots for equipment that either would not be
15 accepted by American or would not be deployed in the
16 consolidated operation?
17   A   Did I analyze the rightful place
18 proposal?
19   Q   Did you analyze the extent to which the
20 rightful place proposal credited the TWA pilots for
21 equipment that American Airlines either wouldn't
22 acquire or wouldn't ultimately deploy?
23   A   Well, my understanding is that the --
24 the rightful place proposal credited the TWA pilots
25 with all of the equipment that they had as of

24 (Pages 93 to 96)

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1 April 2001. However, there is kind of a gap between
2 the report and the list that I have. And so, in
3 what way that was factored in is kind of opaque to
4 me. But on the face of the report, I believe
5 Professor Tannen gave them credit for all of the
6 positions and all of the equipment that they had in
7 April.
8   Q   In your Salamat damage model, did you
9 assess the extent to which American Airlines would
10 not be accepting or would not be deploying TWA
11 planes?
12   A   I did by using the reduced fleet that
13 was there in April 2002, which didn't include, for
14 instance, the Boeing 717 and had fewer MD80s and
15 Boeing 757s.
16   Q   And did you try and take the
17 possibility that American Airlines would not be
18 accepting or deploying TWA planes into account in
19 any other way?
20   A   Just that way.
21   Q   Take a look at page 30 of your report.
22   A   I have it.
23   Q   Take a look at the first bullet point
24 toward the bottom of the page. Do you know where
25 these bullet points come from?

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1   A   They come from the same letter as the
2 summary above.
3   Q   So the letter that the APA sent in July
4 of 2001?
5   A   That's what's cited here, so I expect
6 that's where it came from.
7   Q   Okay. So the first bullet point says,
8 the AA pilots are entitled to some consideration for
9 the risk they are bearing to their career
10 progressions in having pilots from a failing carrier
11 placed ahead of them on the integrated seniority
12 list.
13   Do you see that?
14   A   I do.
15   Q   And in your analysis, did you consider
16 TWA to be a failing carrier?
17   A   I -- I made no -- no assumption about
18 whether or not TWA was a failing carrier. I
19 understand it has a specific meaning in railway
20 labor law, so -- but as I said before, the way in
21 which I factored into my estimate the state of TWA
22 was to use the number of jobs that existed after
23 American had gotten rid of equipment and
24 rationalized staffing and fleet.
25   Q   And was the issue of whether TWA was a

99

1 failing carrier irrelevant to the analysis you
2 conducted that resulted in the Salamat damage model?
3   A   Whether it was a failing carrier?
4   Q   Yes.
5   A   Well, it was a distressed carrier in
6 the way in which -- to the extent that failing
7 means -- has the potential of -- of ceasing
8 operations, I looked at the number of positions that
9 remained as of July 2002. American Airlines having
10 gotten rid of presumably unprofitable routes and
11 assets, and the number of jobs remaining being what
12 the TWA pilots brought into the merger. So, yes.
13   Q   So, yes, whether TWA was a failing
14 carrier was not relevant to your analysis?
15   A   I -- I said it was.
16   Q   It was relevant to my analysis?
17   A   It was relevant to the extent I used a
18 later date for the number of positions that TWA
19 pilots still had. So a failing carrier and, again,
20 not being a -- a railway labor lawyer -- to the
21 extent that a failing carrier means a carrier in
22 financial distress, yes, I did. If failing carrier
23 has a more specific definition that I'm not aware
24 of, then maybe I'm not answering as accurately as
25 possible. But to the extent that failing carrier

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1 means in financial distress by using a later date
2 and measuring only the jobs that existed as of that
3 later date, then I did take this into account.
4   Q   And other than what you just testified
5 to, did you take into account whether TWA was a
6 failing carrier in any other way?
7   A   No, I did not.
8   Q   And a failing carrier means that TWA
9 was on the verge of liquidating. Did you take that
10 into account in constructing your Salamat damage
11 model?
12   A   Only by using the later date. So, no,
13 I did not. But let me just qualify that. I'm not
14 accepting your -- I'm not -- I'm not saying that I
15 accept that TWA was on the verge of liquidation.
16 All I know for a fact is that it was in bankruptcy.
17   Q   And you haven't done the analysis to
18 say whether TWA was on the verge of liquidation;
19 correct?
20   A   No, I've not. But I'm -- I'm also not
21 saying that I accept your characterization of their
22 financial state as being about to liquidate. They
23 were still an operating airline.
24   Q   So on page 31 of your report, the
25 middle of the top paragraph, you say, I am

25 (Pages 97 to 100)

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1   unconvinced that the rightful place proposal could
2   have formed the basis for an agreement between the
3   TWA pilots and the APA; correct?
4   A   That's correct.
5   Q   And so, are you not advancing the
6   rightful place proposal as a basis for damages in
7   this case?
8   A   I -- I did do a calculation of what the
9   damages would be under that model and under that
10 list. I don't believe that the APA pilots would
11 have agreed to a list that was constructed using its
12 methodology. You know, Professor Tannen, as I say,
13 used a mathematical approach by quantifying people's
14 career expectations, and I don't believe that that
15 methodology would have formed the basis. Whether
16 Tannen's list might have produced damages similar to
17 something within the bargaining range, I can't say,
18 you know --
19   Q   So as -- as you use it, is the rightful
20 place proposal synonymous with the Tannen proposal?
21   A   It is.
22   Q   And you don't believe that would be a
23 basis for an agreement between the TWA MEC and the
24 APA; correct?
25   A   I don't think that list construction

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1   method would have formed the basis for an agreement.
2   Q   And so, is it true that you don't
3   believe that damages calculated on the basis of that
4   list would represent an appropriate measure of
5   damages in this case?
6   A   Well, in order to -- to think that that
7   would be an appropriate method for calculating the
8   damages, I would -- I would need to be convinced
9   that in the absence of ALPA's breach, that's the
10 list that would have been obtained. And as I say
11 here, I'm unconvinced. That doesn't mean I couldn't
12 be convinced, but, you know, as I view the
13 situation, I don't think it -- it would be an
14 appropriate way to calculate the damages.
15   MR. TOAL: We can go off the record.
16   VIDEO SPECIALIST: 12:21 and we are
17 going off the record.
18   (Luncheon recess.)
19   VIDEO SPECIALIST: This begins tape
20 number three. The time is 1:28. We are back on the
21 record.
22 BY MR. TOAL:
23   Q   Mr. Salamat, in your Salamat damage
24 model, you have a section at the top of the list
25 that consists of American Airlines pilots; correct?

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1   A   That's correct.
2   Q   And your estimate of the number of
3   American Airlines pilots who would be at the top of
4   the list is substantially similar to the number of
5   American Airlines pilots at the top of Supplement
6   CC; correct?
7   A   That's correct.
8   Q   And I think you calculated that the
9   difference between your damage model and Supplement
10 CC was 98 pilots; correct?
11   A   That sounds correct.
12   Q   Take a look at page 31 of your report,
13 figure 10.
14   A   That's correct.
15   Q   And you regarded both Supplement CC and
16 your damage model as broadly consistent with
17 arbitrated results by Nicolau with respect to the
18 number of the pilots at top -- at the top of the
19 list; correct?
20   A   That's -- that's correct.
21   Q   And that's because American Airlines
22 flew certain large wide-body planes that the TWA
23 pilots never had access to; correct?
24   A   That's correct.
25   Q   Because TWA didn't have any large

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1   wide-bodies at that point in its life cycle;
2   correct?
3   A   That's correct.
4   Q   Now, the difference between your list
5   and Supplement CC with respect to the number of
6   American Airlines pilots on the top of the list
7   reflects the fact that you didn't include F100s in
8   your -- in your model as being reserved to the
9   American Airlines pilots; correct?
10   A   As being reserved to the American
11 Airlines pilots?
12   Q   Well, tell me in your own words what
13 the difference is between the number of pilots you
14 put at the top of your list and the number of pilots
15 at the top of Supplement CC. What accounts for the
16 difference?
17   A   Well, as -- as I show in figure 10, I
18 looked at a number of types of job groupings that
19 would have resulted in American Airlines being given
20 the top of the list in some measure, and so there
21 was the rightful place proposal which had 938 fewer
22 at the top. If I looked at just the -- where the
23 junior 777 captain was, that would have been 199.
24 If I looked at what Nicolau effectively did in US
25 Airways/America West, it would have been 142 less.

26 (Pages 101 to 104)

RIKK SALAMAT

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1   And then if I just took all captain positions, that
2   would have produced a top block of 98 smaller.
3   There is reasons to think that the 142 would be
4   reasonable given that that's how Nicolau did it in
5   US Airways, but I picked the more conservative value
6   of 98, exclusive of the F100 because smaller
7   aircraft like the F100, and the Embraer, and the
8   RJs, to the extent that they are in a main line
9   fleet, are often looked at differently, being under
10   72 seats.
11   Q   Did TWA have F100s?
12   A   They had the Boeing 717, which is a
13   comparable aircraft.
14   Q   Can you answer my question?
15   A   They did not have the F100.
16   Q   And that was the only difference with
17   respect to the top block on Supplement CC and your
18   list, is that you excluded the F100s; correct? The
19   F100 captain positions.
20   A   Well, I'm not positive why the
21   Supplement CC had 2,592. I assume it was based on
22   some number of captain's positions, but I couldn't
23   -- I couldn't say that I've seen anywhere what
24   exactly the rationale for 2,592 was. I can only
25   talk about the difference between that number and

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1   the -- the top block that would be there under the
2   methods that I listed here.
3   Q   Okay. But in any event, you got your
4   top block by taking all of the American Airline
5   captain positions less captains on the F100; is that
6   correct?
7   A   That's correct.
8   Q   And you say in your report that coming
9   up with a bottom staple was more difficult to
10   estimate; correct?
11   A   That's correct.
12   Q   And why was that?
13   A   Well, it is more difficult to estimate
14   because, as I say here, pilots on the bottom of the
15   list are subject to furlough. There is a number of
16   ways in which you could have said, given that top
17   block, how many TWA pilots would have been merged in
18   with the remaining American Airlines pilots.
19   Whether any American Airlines pilots would be, you
20   know, whether there be any American Airlines pilots
21   who would not be part of a merged group for some
22   reason or another, whether the integration would end
23   at some point and people would be put at date of
24   hire below, you had to come up with a methodology
25   that was consistent with what the parties were

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1   discussing in their -- in their various proposals.
2   And so it was more difficult, largely because
3   the number of -- of positions at the bottom, the
4   difference was larger and of much greater
5   importance; so pilots who were placed towards the
6   top of the list, they are all going to retire soon.
7   They tend to be older. My top of the list wasn't
8   very different from Supplement CC, so the bottom of
9   the list was more difficult.
10   Q   So are -- are you saying it was more
11   difficult to estimate the bottom staple because
12   there was a wider range between the proposals of
13   each side?
14   A   There was certainly a wide range
15   between what was there in the rightful place
16   proposal, which was 200 and some, and what was there
17   in Supplement CC. So -- but -- but I don't know
18   that that's not necessarily true of the top, as
19   well. I didn't -- the way the rightful place
20   proposal is constructed, it didn't -- it didn't
21   have -- it had a top block, but then it had a ratio
22   block, and it had a second top block, and then
23   another ratio block; so it was more difficult -- I
24   mean, it was -- it was basically impossible to
25   compare the top in any meaningful way because the

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1   rest of the list wasn't constructed the same, so --
2   But I think it was more difficult to estimate
3   because, as I say, it is of much more importance
4   because pilots in the bottom of the list are subject
5   to furlough. And so, where the parties would have
6   agreed to had much to do with how they would have
7   constructed or how they would have estimated the
8   work that TWA was legitimately bringing into the
9   merger, and you could have done that any number of
10   ways.
11   Q   And did you have any insight into how
12   the APA was estimating the work that TWA was
13   legitimately bringing into the transaction?
14   A   What -- what they said in their
15   response to the rightful place proposal was probably
16   the only direct information I had about how they
17   were estimating the work -- well, not estimating the
18   amount of work, but how they were going to translate
19   that amount of work into a seniority list.
20   Q   And aside from that, did you have any
21   other insight into how the APA was estimating the
22   work that TWA was bringing to the combined entity?
23   A   No, I didn't.
24   Q   You say in your report that the APA
25   merged 940 TWA pilots with American pilots and

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RIKK SALAMAT

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1   stapled the remainder; correct?
2   A   I believe that's correct, yes.
3   Q   And you made an assumption based on
4   that number of merged TWA pilots about the manner in
5   which American Airlines, the American Airlines
6   pilots came up with that proposal; correct?
7   A   I -- I noticed that it was -- it seemed
8   to represent a count of jobs. I'm not sure which
9   page you are on, so --
10   Q   I'm on page 31, at the bottom of that
11   page.
12   A   Yes.
13   Q   In that bottom paragraph, you are
14   making an assumption that the way the APA came up
15   with this 940 merged TWA pilots was based on the
16   number of MD90 and B767 captains on the TWA list;
17   correct?
18   A   That was the assumption, yes.
19   Q   And do you have any basis for that
20   assumption, other than the fact that those numbers
21   are close -- close to one another?
22   A   Well, they had referred to sustainable
23   captain positions, which, although they never
24   clearly defined what that meant in terms of what
25   equipment was included, it certainly didn't include

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1   the Boeing 717. They seemed quite clear that they
2   didn't believe that that -- the jobs that were
3   associated with that aircraft were being brought
4   into the merged company. And so that remainder is
5   the MD90 and the 767. And those positions totaled
6   939, and they merged 940. So I was -- I felt it was
7   a reasonable conclusion to assume that that was the
8   basis for -- for 940.
9   Q   And so what you did to try and estimate
10   the merged portion of your list is you said, if the
11   APA was willing to recognize 939 MD90 and B76
12   captain jobs, they should also recognize an
13   equivalent number of first officer jobs; correct?
14   A   That's correct.
15   Q   So you essentially doubled the number
16   of merged pilots in the middle of the list; correct?
17   A   That's correct.
18   Q   And, specifically, you essentially
19   doubled the number of merged TWA pilots at the -- at
20   the middle of the list; correct?
21   A   That's correct.
22   Q   Now, how did you get the number 1,873
23   as the number of merged TWA pilots given that that's
24   not exactly twice 939?
25   A   That's the number of captains and first

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1   officers who were on those two pieces of equipment
2   on the April 4th, 2001 TWA list -- or, sorry, the
3   July 2002 employment history from American Airlines.
4   Q   So the predicate for doubling the
5   number of merged pilots is that the APA was already
6   recognizing the MD90 and B767 captain positions
7   contributed by TWA; correct?
8   A   They were recognizing the which two?
9   Q   They were recognizing the number of
10   MD90 and B767 captain positions from TWA.
11   A   Yes, that's right. I don't know which
12   precise counts of those positions they used because,
13   as I said, I have no intermediate data between
14   April 2001 and -- and April 2002, so --
15   Q   So let me direct your attention to
16   Salamat Exhibit-17, which is the -- it's to your
17   right. It's the summary of Supplement CC.
18   A   I have it.
19   Q   Let me ask you to take a look at page
20   8763, using the numbers on the bottom right.
21   A   I have it.
22   Q   So do you see the first full paragraph
23   says, our analysis indicated that absent the TWA
24   transaction, B.D. White could reasonably expect to
25   have enough seniority to hold small wide-body

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1   captain on August 22nd, 2016, based on aircraft on
2   hand and on order on April 10, 2001, age 60
3   retirements, and our seniority range analysis. We
4   then determined, based on age 60 retirements, the
5   most junior TWA pilot who could be placed in front
6   of B.D. White on the integrated seniority list would
7   leave 260 TWA pilots, the number of small wide-body
8   jobs credited to the TWA pilots above in front of
9   B.D. White as of August 22, 2016. The pilot was in
10   TWA's March 17, 1989 new hire class. We placed the
11   senior TWA pilot in the next TWA new hire class,
12   Raymond Camu, date of hire, March 20, 1989,
13   immediately behind B.D. White. As of April 10,
14   2001, there were 1,095 TWA pilots senior to Camu.
15   Those 1,095 TWA pilots are inserted on the list
16   senior to B.D. White at a ratio of approximately 1
17   TWA pilot to 8.17 AA pilots.
18   Do you see that?
19   A   I do.
20   Q   Do you recognize this as the
21   methodology that the APA used to determine how many
22   TWA pilots to merge into the middle part of the
23   seniority list?
24   A   I don't believe I've seen this document
25   before today. I'm aware that they were doing an

28 (Pages 109 to 112)

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RIKK SALAMAT

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1   analysis of -- of future career projections, but
2   that this was the specific methodology that they
3   used for deciding the merged group, I wasn't aware.
4   Q   And you didn't do any analysis of the
5   number of TWA pilots who could be placed in front of
6   B.D. White without affecting his career progression
7   to small wide-body captain; did you?
8   A   Well, as I've said before, to the
9   extent that the amount of seniority that B.D. White
10   would need to have in order to preserve his career
11   expectations being represented on the -- the
12   fairness list, no. I didn't do any un-merged
13   analysis of American Airlines pilots or TWA pilots,
14   but I know empirically, given that the ages of the
15   pilots that were merged ahead of B.D. White, that
16   his career expectations wouldn't be diminished,
17   presuming a static fleet from where the airlines
18   were as of 2001. So, even though I didn't
19   specifically do an un-merged analysis, that is an
20   area that I did consider.
21   Q   Well, your fairness list is an
22   integrated list; correct?
23   A   That's right.
24   Q   And you didn't do any analysis of B.D.
25   White's career progression under a merged seniority

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1   integration list relative to his career progression
2   on an American Airlines only list; correct?
3   A   No, I did not.
4   Q   Did you assess whether first officer
5   jobs at TWA prior to any transaction were
6   substantially equivalent to new hire first officer
7   jobs at American Airlines?
8   A   Did I -- were new hires at American
9   Airlines, flying equipment -- were there first
10   officers flying the similar equipment to what first
11   officers at TWA were flying?
12   Q   Yeah. Did you assess whether that was
13   the case?
14   A   Well, the junior pilots at both
15   airlines were -- were flying similar equipment, so,
16   yes.
17   Q   Well, did you assess whether first
18   officers at American Airlines who were newly hired
19   were able to fly on better equipment than first
20   officers at TWA?
21   A   Well, the first officers were placed on
22   equipment that has needs, so, no, I didn't -- I
23   didn't look at that specifically. But as the junior
24   pilot on a piece of equipment doesn't necessarily
25   mean that you are equivalent to a senior pilot on

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1   the same piece of equipment at another airline, I
2   mean, junior pilots go wherever they are told to go.
3   So, I mean, how you could -- how you could draw an
4   equivalence other than they fly the same piece of
5   equipment in the same seat, I -- I -- I don't know
6   how you would do that.
7   Q   Did you analyze how much newly hired
8   first officers at TWA were paid relative to first
9   officers -- withdrawn.
10   Did you analyze how much newly hired first
11   officers at American Airlines were paid relative to
12   first officers at TWA?
13   A   Well, I believe newly hired first
14   officers at American are on -- on a flat salary, and
15   I don't know how that salary necessarily compares to
16   the -- to the pay scale of the first officers at TWA
17   because most of them would have been beyond their
18   probationary period and would be on hourly pay.
19   Q   So you didn't conduct any such
20   analysis; correct?
21   A   No, I didn't.
22   Q   Did you assess whether first officers
23   at TWA who were hired after TWA's second bankruptcy
24   had any plausible career expectation of upgrading to
25   captain?

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1   A   I did not.
2   Q   Look at figure 12 in your report on
3   page 34.
4   A   Yes. I have it.
5   Q   So is the date -- the date of this
6   analysis is April 2001; correct?
7   A   Yes.
8   Q   And when you are looking at any
9   positions at TWA, are you -- are you looking at
10   those positions prior to the closing of the
11   transaction with American Airlines?
12   A   This would be as of that date, April of
13   2001. This would have been from the contributing
14   list that went into Supplement CC, or rather the
15   contributing list that both parties exchanged.
16   Q   In your Salamat damage model, you
17   propose that any restriction on the ability of TWA
18   pilots to bid for 777 and A300 aircraft would go
19   away after ten years; correct?
20   A   Yes.
21   Q   And you acknowledge that TWA pilots had
22   no career expectation of ever flying 777 or A300
23   aircraft at TWA prior to the transaction; correct?
24   A   Prior to the transaction, no.
25   Q   So your model would take a career

29 (Pages 113 to 116)

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RIKK SALAMAT

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1 expectation that the TWA pilots never had at TWA and
2 give them such a career expectation at the
3 consolidated airline; correct?
4   A   I can't -- I can't say it would
5 necessarily give any particular pilot that -- that
6 expectation. Provided they had enough seniority and
7 were young enough to get to a part of the list where
8 they could fly that equipment, then, yes. But --
9   Q   Page 34 of your report, you say, as
10 shown in figure 13 under the Salamat damage model,
11 only a handful of TWA pilots would be within
12 striking range of a 777 captain seat for the dozen
13 years after their mergers.
14   Do you see that?
15   A   That's correct.
16   Q   So after a dozen years, you are
17 calculating that at least some TWA pilots would be
18 able to bid on 777 captain positions; correct?
19   A   Yeah. As I said, a handful.
20   Q   And some additional number would be
21 able to bid on first officer positions on 777s;
22 right?
23   A   That's correct.
24   Q   And you also say that approximately 348
25 TWA pilots per year would have had the seniority to

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1 hold the 8300 position under the Salamat damage
2 model; correct?
3   A   That's correct.
4   Q   And that's a career opportunity that
5 those pilots never would have had at TWA absent this
6 transaction; correct?
7   A   That's correct.
8   Q   And so isn't that transferring career
9 expectations that American Airlines pilots had to
10 TWA pilots?
11   A   Well, one -- one could view it that
12 way. I mean, those same TWA pilots are also, at the
13 same time, bringing the career expectation that they
14 had to operate their Boeing 767 aircraft, and that
15 work is also being transferred in some measure to
16 American Airlines pilots. One wouldn't necessarily
17 assume that they will -- they wouldn't have
18 continued access to all of the equipment that they
19 brought to the merger. And so, after some period of
20 time, who brought what equipment becomes less
21 relevant. And so ten years seemed a reasonable time
22 that they would have agreed to.
23   Q   And didn't American Airlines also have
24 767 aircraft?
25   A   I believe they did, yes.

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1   Q   As of the time that TWA's assets were
2 merged into American Airlines, how many domiciles
3 did TWA have?
4   A   As of the time they were merged into --
5   Q   Yeah.
6   A   At -- at what date?
7   Q   As of April 2002, how many domiciles
8 did TWA have?
9   A   There was only one remaining TWA
10 domicile.
11   Q   And as of the time that Supplement CC
12 was implemented, how many domiciles did TWA have?
13   A   I believe still just one.
14   Q   And what was that domicile?
15   A   St. Louis.
16   Q   And prior to the transaction with
17 American Airlines, how many hubs did TWA have?
18   A   Hubs or domiciles?
19   Q   Hubs.
20   A   I don't know what constitutes a TWA
21 hub. I mean, I would think St. Louis and Los
22 Angeles, and one other station might constitute
23 hubs, but I -- I don't know what -- what actually
24 would have been TWA's hubs.
25   Q   And was TWA considered a regional

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1 carrier at the time of the transaction with American
2 Airlines?
3   A   I -- I don't believe they would have
4 been considered a -- a regional carrier. They
5 had -- they had some operations that weren't short
6 haul. So I wouldn't -- I wouldn't have
7 characterized them that way.
8   Q   Have you done any analysis to assess
9 whether TWA was largely a regional carrier at the
10 time of the transaction with American Airlines?
11   A   No, I have not.
12   Q   We talked yesterday about the manner in
13 which you calculated income for TWA pilots. Do you
14 recall that?
15   A   Yes.
16   Q   And I believe you told me you looked at
17 the number of hours worked times the pay rate; is
18 that right?
19   A   That's correct.
20   Q   And from what source did you take
21 information on the number of hours worked?
22   A   From the employment history provided by
23 American Airlines.
24   Q   And was the source that you were using
25 listing projected hours?

30 (Pages 117 to 120)

RIKK SALAMAT

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1   A   The -- the source I was using had three
2   hours. They had projected hours, meet guarantee
3   hours, and another form of hours. Typically,
4   projected hours, at least as I requested it, would
5   be pay hours, except for reserves who would have
6   meet guarantee hours. And so the greatest of the
7   three is generally what the pilot gets paid for a
8   particular month.
9   Q   And what was the third category beyond
10   projected and meet guarantee?
11   A   I believe it was block hours.
12   Q   What are block hours?
13   A   It is the actual operating time. So a
14   pilot might be projected to fly 70 hours in a
15   particular month, but their block time might be
16   higher or lower than that because of canceled
17   flights, because of coming in on time, because of
18   delays.
19   Q   So if -- the block hours reflected the
20   time actually worked; is that correct?
21   A   That would -- that would -- that would
22   be operating time, yes.
23   Q   So why would you take the -- the
24   greater of these three in a situation where the
25   block hours were lower than the projected hours?

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1   A   Because usually projected hours are pay
2   hours. Usually you -- you fly to your schedule and
3   are given credit for your schedule and not for the
4   hours that you necessarily actually operate. If you
5   come in under schedule, you are still paid your
6   projected or better.
7   Q   Do you know -- do you know on what
8   basis the American Airlines pilots were paid?
9   A   I -- I am led to believe it was
10   schedule or better from their contract, but --
11   Q   With that understanding --
12   A   And I'm assuming that that's the data
13   that American Airlines gave us because that's what I
14   requested, was what their pay hours were. Now, as
15   we mentioned yesterday, we have W2 data now, so we
16   know what each pilot was actually paid. And so it
17   would be possible to compare what we calculate they
18   would have been paid to what they were actually paid
19   and see if there is an important difference. And if
20   there is, we may do an amended set of numbers.
21   Q   Did you use any computer programs to
22   assist you in generating the Salamat damage model?
23   A   Did I use any computer programs?
24   Q   Yeah.
25   A   Well, we -- we wrote computer programs

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1   to analyze that list. We wrote a program to create
2   the list. Part of the ALPA merger tool is the
3   software that takes specifications from a merged
4   list and actually creates it.
5   Q   And there was source code that you used
6   to generate the fairness model in your report;
7   correct?
8   A   Uh-huh.
9   Q   And that source code was produced;
10   correct --
11   A   I believe it was.
12   Q   -- as part of your backup materials?
13   A   I believe it was, yes.
14   Q   Was there also source code that was
15   used to generate the Salamat damage model?
16   A   I'm not sure whether it was or not.
17   That's part of the ALPA merger tool, so it may not
18   have been.
19   Q   Why did you use source code to generate
20   the fairness model but not the Salamat damage model?
21   A   Well, the fairness model was specific
22   to this case. It is not a type of optimized list
23   that I've run before. So for this one, it had to be
24   written.
25   Q   Was there source code used to generate

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1   the arbitration model?
2   A   The ALPA merger tool.
3   Q   And was there source code used to
4   generate the Supplement CC 200?
5   A   The ALPA merger tool.
6   Q   Let's take a look at page 43 of your
7   report.
8   A   I have it.
9   Q   Do you have any -- you have an equation
10   under bidding restrictions; do you see that?
11   A   Yes.
12   Q   And that's to calculate the threshold?
13   A   Yes.
14   Q   And can you explain the logic
15   underlying this equation?
16   A   The seniority range in which a pilot
17   can likely hold a position is going to be different
18   from the stove -- from the stovepipe seniority
19   level. So pilots who are holding, you know, let's
20   take a -- an A320 captain position. The most senior
21   pilot may be at the very top of the list. The most
22   junior pilot might be at the middle of the list.
23   There may only -- there may be, you know, only ten
24   percent of the actual pilots in the -- in the
25   company on that piece of equipment in that position,

31 (Pages 121 to 124)

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1 so there is gaps between them. You will have, you
2 know, obviously some very senior ones, you will have
3 some very junior ones, and you'll have a bunch
4 clumped in the middle.
5   And so, in order to figure how -- whether or
6 not if someone would be able to hold that position,
7 you could do one of two things. You maybe could
8 just say, are they in that range? Are they at least
9 as senior as the junior captain?
10   Then you say, well, then they, at least
11 theoretically, have the ability to hold that
12 position. That would work on an individual pilot
13 basis. With the TWA pilots, the seniority range
14 would be different because they had these protected
15 positions in St. Louis. And so, in order to
16 estimate what the seniority bidding range would be
17 if we included those protected positions into the
18 other positions, we have to expand that range. We
19 have to add those positions onto the bottom.
20   So we say, what's the distribution at the
21 bottom of the list, and we expand it downwards in
22 order to accommodate those additional positions.
23 And so now, that's the new bidding range. So if a
24 pilot can be above the minimum on that range, then
25 they would be within the bidding range for the

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1 position.
2   Q   And why wouldn't you just use the AMR
3 max as the threshold for determining which pilots
4 are holding positions out of seniority order?
5   A   It is not just the AMR max. It is if
6 they fall below the threshold, if they fall below
7 the minimum. If you take a look at the maximum
8 pilot, and you take a look at the minimum pilot, and
9 you say there are, you know, for each pilot in
10 there, that range, there is four pilots on some
11 other piece of equipment. Not every single pilot is
12 going to bid into that range.
13   Now if we add additional positions into it,
14 that range is going to get larger. So we take the
15 bottom half of the range where people are more
16 likely to be clustered together and expand that down
17 proportionately in order to accommodate the other
18 positions. The top of the range, you know, since
19 you always have people bidding upwards, some very,
20 very senior people will sit on very, very junior
21 equipment. But you can only be so junior.
22   So in order to increase the range as
23 conservatively as possible, you just take the bottom
24 end of the range and extend it down proportionately
25 in order to accommodate the additional positions

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1 that are now brought in that were once protected
2 positions. So you are using AMR as the template for
3 the bidding range, and adding additional positions
4 into the -- the range in order to estimate now, with
5 these additional positions, how junior would be able
6 to hold it.
7   Q   So -- so let's look at your equation.
8 You've got the threshold equals AMR max; right?
9   A   Uh-huh.
10   Q   And then you are adding something else.
11 So you are not extending down from AMR max. You are
12 going above AMR max to establish your threshold;
13 right?
14   A   Sorry? AMR max --
15   Q   Look at your equation.
16   A   Sorry. AMR max is sort of the junior
17 pilot. So we have to go down below that junior
18 pilot now because we've added more positions to it.
19 And so this is why I say we've used the American
20 Airlines pilots as the template range.
21   Q   So is AMR max supposed to represent --
22   A   -- the maximum seniority number. So
23 the minimum actual seniority. So if the junior
24 pilot was --
25   Q   The minimum or the maximum?

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1   A   The maximum absolute seniority number.
2 So if the junior pilot was previously 1,000 on a
3 10,000 pilot list, now we've added a bunch more
4 positions into it, so that maximum is going to come
5 down a little bit. So maximum seniority number
6 being minimum actual seniority from the point of
7 view of what's desirable, but the maximum seniority
8 number is 1,000. So add a bunch more positions in
9 there, that number is going to come down because
10 we've expanded the number of available positions.
11   Does that make -- does that make sense? I
12 think max and min get very confusing when you are
13 doing this. But if -- you have to look at seniority
14 as an absolute number here. So if the maximum
15 seniority number is a thousand and we add more
16 positions, the number is going to get bigger, so now
17 maybe some 1,200 can get the position.
18   Q   Let me see if I understand. You are
19 using maximum in the sense of the -- the most junior
20 pilot who can hold that position; is that correct?
21   A   AMR max is the most junior American
22 pilot in the position, yes.
23   Q   Okay. And you are using max in the
24 sense of, if you have a -- a larger seniority
25 number, then you are more junior; is that correct?

32 (Pages 125 to 128)

RIKK SALAMAT

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1   A   If you have a larger seniority number
2   than the max, then you are too junior to hold the
3   position.
4   Q   Okay.
5   A   Believe me, I have to roll it over in
6   my head a couple of times every time I start talking
7   in maximum and minimum because maximum is
8   undesirable in these situations.
9   Q   And in your equation, the second half
10 of the equation after the plus sign --
11   A   Uh-huh.
12   Q   -- are you dividing -- are you dividing
13 AMR max minus AMR average?
14   A   Uh-huh.
15   Q   By --
16   A   So that's the bottom half -- that --
17 that part of the equation, and -- and let's just
18 stick with our 1,000. So we are saying the senior
19 pilot is one. The junior pilot is 1,000. When we
20 say, let's take the max minus the average, we are
21 saying we are going to take the bottom half of that
22 distribution of pilots as being -- if the average is
23 never -- well, we got a camera so I can do this with
24 my hands, right?
25   What you'll get with almost any seniority

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1   distribution is that the top to the middle is going
2   to be larger than the middle to the bottom because
3   people overbid. You have senior pilots who will
4   hold the position. But the distance from the
5   average seniority to the minimum or maximum
6   seniority, they are going to be smaller than the top
7   half.
8   So what you do is you say, how much -- what is
9   that distance? And now we divide it by two, and
10 take the number of AMR pilots in that position, half
11 of them, and multiple it by the number of the TWA
12 positions that we are actually now bringing into
13 that position. So how much farther down will that
14 go?
15   Q   Does the denominator here apply only to
16 AMR max minus AMR average?
17   A   Sorry. Which?
18   Q   So you have a denominator here of NAMR
19 divided by two times NTWA; correct?
20   A   That's right.
21   Q   And is that a denominator just for AMR
22 max minus AMR average?
23   A   Well, it's an equation. You take
24 the -- you take the size of the bottom, divide it by
25 the number of pilots in that bottom, and then

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1   multiply it by the number of positions that you are
2   now adding in. So if I have to accommodate a
3   hundred additional positions -- and let's take a
4   look at the first part of this equation. And let's
5   assume, one out of every ten pilots in --
6   Q   Maybe I can simplify this.
7   A   Okay.
8   Q   The first AMR max in this equation, is
9   it true that it doesn't get divided by anything?
10   A   It does not.
11   Q   Okay.
12   MR. TOAL: Can we go off the record?
13   VIDEO SPECIALIST: 2:12, off the
14 record.
15   (Off the record.)
16   VIDEO SPECIALIST: The time is 2:32 and
17 we are back on the record.
18   THE WITNESS: Just before we start, Joe
19 pointed out at the break to me that there is a typo
20 at the bottom of page 43 where it should read,
21 number of TWA pilots in position, not -- should read
22 number of TWA pilots in position.
23 BY MR. TOAL:
24   Q   And the purpose of this equation is to
25 identify a threshold below which you assume that

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1   pilots are holding positions out of seniority order;
2   correct?
3   A   They would be in a protected position,
4   yes.
5   Q   And for pilots in that situation, you
6   attribute zero damages to them; correct?
7   A   For that month.
8   Q   For that month.
9   Did you consider other methods to try and
10 identify TWA pilots who are holding positions out of
11 seniority order?
12   A   As I mentioned yesterday, we identify
13 pilots who are two standard deviations or more
14 outside of the distribution of pilots in the range
15 for their position, and we quantified the amount of
16 damages attributed to those pilots.
17   Q   And for purposes of identifying pilots
18 who were too junior by virtue of their seniority to
19 hold a given position, did you consider other
20 mechanisms of identifying when they were holding
21 positions out of seniority order?
22   A   Those -- the number of standard
23 deviations away from above the mean, and this
24 particular method of trying to determine what the
25 lower bound seniority number would be, would be the

33 (Pages 129 to 132)

RIKK SALAMAT

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1 only two that I ended up using. You know, I did try
2 to try to come up with other ways in which we could
3 identify those pilots, but this threshold formula
4 and the standard deviation formula were the two that
5 I ended up using.
6   Q   And did you consider any alternatives
7 to the threshold equation that's reflected on page
8 45?
9   A   The standard deviation model, which we
10 used and quantified the damages attributed to those
11 pilots.
12   Q   If you wanted to determine which TWA
13 pilots were holding positions that they were too
14 junior to hold by virtue of their seniority, could
15 you have looked for situations in which any TWA
16 pilot is holding a position but has a seniority
17 below the number of the most junior American Airline
18 pilot who held the same position?
19   A   That would identify whether someone was
20 in a protected position under Supplement CC. It
21 wouldn't tell you whether they would still be in a
22 protected position under an alternative list, under
23 an alternative list where St. Louis didn't have
24 protected positions. And this is the problem. You
25 have to account for these additional positions that

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1 are now available to be bid on by all pilots,
2 including AMR pilots, because they wouldn't be
3 restricted specifically to St. Louis. The pilots
4 would still be able to access them. But under an
5 alternative seniority list, you have to -- you have
6 to expand the range in which AMR pilots are bidding
7 for that position.
8   So there is one way you could do it which you
9 would say just assume on a percentage basis, if
10 pilots were in percentage basis, they would be able
11 to hold the position, and under an alternative
12 seniority list, they would be in a protected
13 position that they -- they were holding out of
14 seniority order and, therefore, they couldn't
15 increase their income any more than what they
16 already did. But that doesn't account for the
17 additional positions. This threshold formula does.
18   Q   I'm going to ask you to take a look at
19 page 19 of your report.
20   A   I have it.
21   Q   Okay. So you have a discussion below
22 figure six of the use of a linear method versus a
23 rolling average. Do you see that?
24   A   Yes.
25   Q   Okay. And then in the second paragraph

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1 under figure six, you say, the objective then is to
2 use an average which minimizes volatility while
3 maximizing accuracy; correct?
4   A   That's correct.
5   Q   And what is it you are trying to
6 maximize the accuracy of here?
7   A   You want a line, as seen in the picture
8 above, that comes as close to as many dots as
9 possible, is what is referred to -- you know, that's
10 what accuracy means in this context.
11   Q   Are you using a mathematical measure of
12 accuracy to try to do that?
13   A   Yes.
14   Q   What measure are you using?
15   A   The variation between the line and the
16 individual data points. On a linear, you would use
17 an r-squared. On something like this, you just
18 measure the variation.
19   Q   What do you mean when you say you are
20 trying to minimize volatility?
21   A   I believe it says -- well, I'm not sure
22 if I actually mentioned it in the report, but by
23 minimizing volatility, we know that the overall
24 trend, as you go down the seniority list, is for
25 incomes to go down. So each instance in which an

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1 average goes up in the contraindicated direction is
2 an instance of volatility. So you increase the
3 average until the number of times that the average
4 goes up while you go down the list decreases, so --
5   Q   And did you use a quantitative measure
6 of volatility?
7   A   I just described it. The number of
8 times in which a -- the average goes up as you
9 progress down on the list. If you look, for
10 instance, on this chart here, around, I guess it
11 would be number 9,000, you know, you see the line
12 drops down suddenly and then it bounces back up
13 again. Each pilot in that range would be one
14 contraindicated instance of the average going up as
15 you move down the seniority list.
16   So what you want to do is end up with a
17 pattern, not as close to the ones shown on the
18 previous page, figure five, but that one does a very
19 poor job of matching the data. And so you want to
20 find a balance between that. And what we did was we
21 used progressively larger rolling averages, starting
22 at about ten and working up to around 400. And at
23 240, we found an improvement and decreasing
24 volatility started to flatten out, and so we stopped
25 at 240.

34 (Pages 133 to 136)

RIKK SALAMAT

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1	Q And is the average that you used a line
2	with a constant slope?
3	A No, it's not.
4	Q The slope changes at different points
5	in the line?
6	A Yes. It is a rolling average, and so
7	each data point is going to have its own slope.
8	Q When you are measuring -- when you are
9	measuring variation around your average --
10	A Uh-huh.
11	Q -- does a -- does a positive number
12	above the line cancel out a negative number that
13	goes below the line?
14	A It is the total variation, so you use
15	absolutes. If the line went through every single
16	dot, it would be extremely volatile, but your
17	deviation from the line would be zero because every
18	single dot would be on the line. So you use an
19	absolute and say, above and below the line is a
20	deviation from the average. So you want to get one
21	that is as small as possible while maintaining
22	the -- the slope from high to low, minimize the
23	volatility. Sorry if that's dry.
24	MR. TOAL: I have no further questions
25	at this time. Pass the witness.

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1	MR. JACOBSON: We have no questions but
2	we would like to read and sign.
3	MR. TOAL: And we reserve the right to
4	recall you as a witness upon submission of any
5	revised or supplemental reports.
6	THE WITNESS: Then I will issue revised
7	and supplemental reports at my peril.
8	VIDEO SPECIALIST: The time is 2:42 and
9	we are off the record.
10	The deposition concluded at 2:42 p.m.
11	**********
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